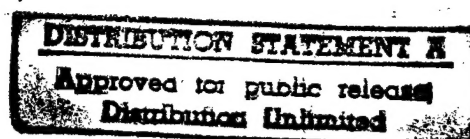


# ***JPRS Report***



# **East Europe**

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# East Europe

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27 December 1991

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## Ethnic Issue, Political Change in Kurdzhali

### Contested Elections

92BA0144A Sofia 168 CHASA in Bulgarian 29 Oct 91  
p 15

[Article by Stoyko Stoyanov: "Bulgarians and Turks Are on Edge as They Wait for Their Next Mayor"—first paragraph is 168 CHASA introduction]

[Text] The court's ruling, expected at the beginning of November, is the point at which irreconcilable interests clash.

The elections are behind us, but in Kurdzhali people are still waiting to grab the mayoralty. As to who will grab it will largely have to do with the preservation of civil peace in the entire area. According to the computerized projection of the results of the mayoralty elections, Ivo Saraliyski, the DPS [Movement for Rights and Freedoms] candidate, who is known to his fellow party members as Ismet Yasar, has garnered the necessary majority. Regardless of its own views, the township electoral commission, as well, accepted his election as legitimate. However, the final decision belongs to the okrug court.

The BSP [Bulgarian Socialist Party], the OPT [Fatherland Labor Party], the SDS [Union of Democratic Forces], and the BNRP [Bulgarian National Radical Party] are contesting the legitimacy of the electoral results.

"The objections of the political forces are groundless," claims Talyat Coban, chairman of the DPS township leadership. "We have not allowed any violations to take place. On the contrary, many of our members were unable to vote because of confusions in the electoral voting lists."

If the court adopts a principle-minded legitimate position, we shall accept its decision, Coban says. It is possible, however, that political forces will try to influence the judiciary.

The DPS leader is convinced that, even if there is a second round or if other elections are held, the movement will have yet another convincing victory.

"We are a real force, and this must be well understood. It is not dangerous in the least for a mayor to be a Turk and a member of the DPS. Rumors that all Bulgarian specialists will be expelled are groundless. We insist that the people who will participate in the management of the township must be loyal to the DPS and be professionals. We have suggested to the SDS that they support us in the future management of the township, but we have still not received a definitive answer. If they refuse to work with us, we shall manage on our own, in the knowledge that we have won the elections in the area with a majority in excess of 50 percent," Coban said.

While the DPS is waiting for someone to give it a hand, Dimitur Techilkov, chairman of the local SDS Coordinating Council, said that the Blues believe that the BSP and the DPS are pursuing a coordinated policy and that the electoral campaign insinuations were merely tricks aimed at protecting some people's interests.

"The activities of the DPS in the area are making a high percentage of the Bulgarians afraid," Roden Tsepenishev, one of the local BNRP leaders, insists. "They are afraid not only because the DPS is engaged in anti-Bulgarian activities but also because, in both Sofia and the rest of the country, these problems are not familiar or understood, and each voice in defense of national dignity is considered an expression of nationalism."

According to Tsepenishev, there is no real conflict between Bulgarians and Turks. "The conflict is between Bulgarian interests and DPS activities," he claims.

Tsepenishev is convinced that, in recent months, the DPS developed not only as an anti-Bulgarian but also as a totalitarian, Bolshevik-type organization. "It is not protecting the interests of its members but is restricting them. The elections proved that the Bulgarian Turks have no right to choose. They cannot vote red, blue, orange, or neutral. The only right way for them is that of the DPS. In the past, people in the villages voted for a mayor nominated by the BCP [Bulgarian Communist Party]. Today this is being repeated, the only difference being that the candidates are members of the DPS. That is why we cannot accept the fact that there can be a legitimate management in Kurdzhali represented by a movement that is unconstitutional and anti-Bulgarian, and that is engaged in openly separatist and nationalistic activity. Our ultimate hope is that the court will be objective because the violations committed by the DPS in these elections applied to a number of areas. We have still not found out if the election of Ivo Saraliyski is considered legitimate. However, I believe that, even without being called upon to do so, the Bulgarians will take to the streets in Kurdzhali in protest. Illegality can lead to nothing but illegality."

Currently, the situation in Kurdzhali is calm. Probably at the start of November the court will consider the legitimacy of the mayoral elections. The old Kurdzhali people are recalling with increasing frequency and dreaming of the time of Kimon Georgiev, when the mayors of entire areas were appointed by the government.

### Polarization

92BA0144B Sofia POGLED in Bulgarian 4 Nov 91 p 5

[Article by Rumyan Slavov: "In Kurdzhali, the Expected Decision, Thank God (Thank Allah), Has Still Not Been Made, and Preparations Are Still at the Shouting Stage"—first paragraph is POGLED introduction]

[Text] As one of the locals said, the appendix of Bulgaria gets inflamed usually when the overall body of the country begins to show certain healing symptoms.

The moment things start getting better, it seems that some people experienced in politics all of a sudden acquire a certain awareness: All this peacefulness is not all that good, they say; let us see whether something is happening in Kurdzhali. And, if it so happens that nothing is happening, they are disappointed. It seems as though the peacefulness of the majority has become something unusual. However, prescriptions to correct this have been written as well. Thus, if the honest people are unwilling to start stopping trains by throwing themselves in front of them or blocking the doors of schools, there would all of a sudden appear some kind of representative from the "center" who would bring about a "revolutionary situation." The familiar news is that the Turkish-speaking population is continuing its boycott of the schools. A slight variation has been introduced here through telephone terrorism in the city: Every other day, school classrooms are emptied because of bomb threats. This may be a joke (at the time), but the police must investigate. The students are doubly pleased: First, they do not have to go to school, and, second, they are watching the filming of a police motion picture. The police, however, do not consider this a joke: What if someone were to telephone to say that a bomb would explode in the mosque during noontime prayers? How would the faithful be removed during a time that is sacred to the Muslims? Or what if the polyclinic or the dam became targets of a threat?

Whatever the case, this would result in political conclusions and charges: The former are guaranteed as far as the police are concerned, while the latter would suit various political opponents. The mistrust that exists among ethnic groups, enhanced by the mistrust among parties, creates a favorable environment for fear. Fear leads to hatred. But let us not go on....

### The "Privatizing" of Civil Peace

This is the aspiration of all political forces. By proclaiming itself the only guarantor of security, a political force could allow itself to accuse the others of the opposite. The enemy is depicted quite simplistically with symbols so they can be memorized and recognized easily. Invariably, in a group political portrait, the BSP [Bulgarian Socialist party] is described as nationalistic, the DPS [Movement for Rights and Freedoms] as a terrorist organization, and the SDS [Union of Democratic Forces] as a traitor to the national interests. However, not one of these forces (let me add to them the particularly active Bulgarian National Radical Party, which, by making references to the April uprising, was able to garner about 3,000 votes) claims to be the true representative of the population it would like to represent. As far as I am concerned, this makes me hope that it is possible to build bridges of understanding between the big social groups, provided that such bridges are started on both sides and without fear.

According to the electoral results, 98 percent of the mayors of the cities and villages and over 55 percent of the township councilors are Muslim and representatives of the DPS. This situation clearly worries the Bulgarian population and will remain a source of tension for a long time to come. In 23 sections, 100 percent (!) of the voters voted for the candidates of the DPS. An American observer, guided by an activist from the Bulgarian Association for Honest Elections, was amazed and intended to write a scientific report on this case. Therefore, the DPS stands closest to its voters and is successfully applying the communist principle of one nation, one party, one objective.

Last year the movement was accepted as legitimate, not without the assistance of the BSP; this year it was supported by the SDS for the sole purpose of drawing votes away from its political opponent. All that remained for the unfortunate constitutional court was to decide whether to become the godfather of the movement or to kill it. My personal opinion is that the "ruling party and loyal ally" syndrome will not soon vanish from our country.

By the middle of last week, the Kurdzhali okrug court, which was to issue a ruling on the legality of the elections for mayors, was trying to guess the decision of the Constitutional Court and thereby facilitate its own procedures. According to impartial mathematical computations, a DPS representative was elected city mayor; however, the BSP coalition, the SDS, and the BSP mayoral candidate had gone to court to oppose the results. The township electoral commission has made its own contribution to the confusion by concocting the following masterpiece of casuistry: Three of its members had not initialed the results and had added their own "separate opinion": "The township electoral commission believes that it cannot accept the results of the computerized processing, including that of the actually cast ballots, as being unquestionable...for which reason, the results entered into the minutes for all three types of elections are considered by it as obtained mathematically but do not allow the possibility of accepting the electoral results as legitimate...." I was instructed by a person with legal knowledge that, regardless of violations that might be established during elections, there are virtually no proper reasons for annulling them.

Whatever the ruling of the court may be—acceptance of the results or new elections—a pretext for subsequent troubles is guaranteed. The national-radicals have already proclaimed that they will block with their own bodies the access of the new mayor into the township building should he be a DPS candidate. In turn, the DPS will bring some variety to the present boycott by introducing new forms of protest. Reciprocal accusations will be hurled on the central level—in parliament and in the state institutions. There will never be time enough to deal with the unfortunate economic reform!

For purposes of informing those who would like to know, these are the first free and democratic elections in this



area, despite all possible caveats. Before the "sinister date" of 9 September 1944, here the mayors were appointed by the state. They had excellent salaries and enjoyed great power. Many of these people (all of them Bulgarians!), most of whom were lawyers, reserve officers, engineers, and teachers, left behind them a good reputation and good accomplishments. The Turks benefited from their educations. Under the present democratic conditions, a substantial share of the elected mayors are not among the best educated. However, as we have already realized, the principle is that the elected candidate should be "one of our own."

We were discussing the past, about which one could say either something good or nothing.

#### **Whatever the Politicians Are Unable To Do Will Be Done by Unemployment**

The totalitarian state, which today is being totally rejected, not only brought to the border areas through its centralized funds and preferential ukases and resolutions the most profitable plants but it also made it mandatory for ministries and associations to open branches in this area, operating, as we used to say, on the basis of planned loss. Such production facilities provided employment to the population, attracted specialists from inside the country, and, eventually (and perhaps most importantly) brought culture to the area.

In the new economic situation, it is precisely such production facilities that are the first to close down. In the Kirkovo township alone, which is near the border, nine workshops have gone bankrupt, and there are some 5,000 unemployed. The lean and eroded soil is extremely inadequate to feed the large families. Here people are not in a hurry to take back the land. There would be no more than half a decare per person. That same land, which is suitable essentially for growing tobacco, can provide no more than 30 percent of the required food products. In this area, the DPS program is similar to that of the BSP: The land belongs to those who cultivate it.

For others, the solution is to go abroad. Political emigration has already been replaced by economic emigration. The resettlers have dual citizenship. As one visa candidate said, "While we are trying to survive here, my neighbors will already have the crisis behind them." Visas are being issued selectively, and, naturally, priority is given to those with better educations and skills.

Here is an example of the strong desire to move to mother Turkey: A few days before 13 October, the candidate for mayor (naturally, a member of the DPS) in a village was issued a visa. He loaded up his luggage and left. In that village, no elections for mayor were held.

#### **The Road to Europe Is Two-Directional**

Before Ahmed Dogan suggested that Bulgaria's road to Europe should pass through the Bosphorus, I was convinced that it would pass near Asia Minor. It would make sense to reach Europe through the straits with the help of Arab petrodollars.

The other option for this course is the coerced one.

Today the DPS leaders on different levels are pointing to Switzerland as a model for us. It is a well-organized country, it is the bank of the world, and people speak four different languages there and profess two variants of the same religion.

In our country, the clash is not between the varieties of a single religion but of two militantly different religions, two cultures, two worlds. Our model would be another country—in our case, Lebanon, which until recently was known as the "Switzerland of the Middle East."

The major question is how the two worlds could live together without an explosion. If powerful Europe does not consider this problem to be one of its own and does not include it in the agenda of the all-European process, we shall remain its appendix and nothing more.

We know that the appendix is an organ in which substances that are unnecessary to a healthy body are deposited.

Our "Eastern problem," after more than a century, could be resolved if the three clarinets and the single bagpipe (which is the ratio of ethnic groups in the eastern Rhodopes) joined together in playing Mozart's "Turkish March."

Or if, in the modern theater in Kurdzhali, the farce "Abduction From the Seraglio" were staged and sung in two different languages without its irritating the public.

In our case, such productions have a different meaning. Europe is familiar with the shape of the croissant but not with the way the population was Turkicized.

We may owe something to Europe, but Europe owes us our past.

[Box, p 5]

#### **Let Us Impose a Veto on Politicians When It Comes to the National Problem!**

[Interview with Father Boyan Saruev, head of the St. John the Baptist Movement for Christianity and Progress and a descendant of Islamized Bulgarians; place and date not given]

[POGLED] You have become famous for having converted to Christianity several dozen families of Bulgarian Muslims....

[Saruev] There are thousands who would like to do so, but I am not engaged in fulfilling a plan. Any activity, regardless of whether it is political or religious, should take place in an intelligent rather than in a noisy way. I must first become convinced that the newly baptized will not later reject their faith.

[POGLED] Why did you seek contacts with and the help of the Vatican?

[Saruev] Because the Orthodox Church is unable to counter militant Islam. It has always obeyed the superior worldly authority.

[POGLED] Does this not create tension in relations with the Holy Synod?

[Saruev] The Holy Cross is one and indivisible, and so is Christ. We are a Christian fundamentalist movement that is struggling to replace Islam with Christianity. Islam is like the Great Wall of China: It cannot be bypassed. It must be either blown up or dismantled.

[POGLED] Aren't you afraid of being charged with promoting a new "restoration process"?

[Saruev] How can we describe the pressure exerted on the Bulgarian population of Islamic faith to study Turkish and take Turkish names? Actually, do you know that the first victim of the "restoration process," before it even became a state policy, was the church in the village of Benkovski, which was blown up by fanatical Muslims? This is a process conducted from two different sides. Unfortunately, we are not the more active of the two.

[POGLED] To the best of my understanding, you do not rely on the politicians to resolve this matter.

[Saruev] No one is able to offer an integral solution. Ours is a partial one but a good one. Politics is a primitive form of thinking. All politicians seek solutions to meet their own interests. It must be impressed upon them that they must deal with the national problem.

[Box, p 5]

**"The Mayors Will Implement the Party's Program...!"**

[Interview with Mehmed Hoca, chairman of the Kurdzhali okrug BPS committee and a people's representative; place and date not given]

[POGLED] Why is it that the Turkish population has not nominated a single candidate belonging to a political

power other than the DPS? There is mention of a BZNS [Bulgarian National Agrarian Union] candidate who, at the last moment, refused, it is claimed, of his own free will....

[Hoca] According to some, not even grass grows wherever the DPS exists. In my view, it is natural that in areas with a Turkish population the preference goes to the DPS.

[POGLED] NOV ZHIVOT, the township newspaper, wrote the following: "I realize that the mayor of the township and his team are servants of the state. Nonetheless, they must implement the program of the party that nominated them...."

[Hoca] Would it make any sense for the BSP to nominate a mayor who would not implement the program of that party?

[POGLED] It is a question of whether the DPS mayor will carry out the orders of the government, of the Ministry of Education, to end the boycott of classes that, by your decision, has been in effect since the beginning of the school year.

[Hoca] The boycott will continue not for one year but perhaps even longer. We are struggling for the restoration of a right because the study of the Turkish language is a tradition in Bulgarian schools. Why is it that the parliament and the Ministry of Education pretend that they are starting something entirely new?

[POGLED] In the previous parliament, the DPS faction was involved exclusively in such matters. Does this movement have an economic program?

[Hoca] We have an absence of cadres because a high percentage of the intelligentsia moved away. Furthermore, although my colleague may be of a different opinion, I think that if there is one loaf of bread per family at home, the most important thing is to supply the child with the possibility of studying his mother tongue and then consider how to contribute to the country's economic prosperity.

### Current Czech Political Scene Surveyed

92CH0173A Bratislava NOVE SLOVO in Slovak  
31 Oct 91 pp 4-5

[Article by Oskar Krejci: "Gravitational Pull Between Blocs"]

[Text]

#### Three Main Issues

At present, three main issues dominate by the Vltava River. The first one is an increasing separatist indifference toward preserving the federation, lack of understanding of the disputes about its new form, and weariness with the discussions on this subject. Among the political elite, which has always displayed on both the republican and the federal level an insensitivity to national specifics, skepticism, as far as the possibility of preserving the federation, is beginning to predominate. Today's calls from Prague for a referendum are driven to a considerable degree by [Prague] Castle's fear that it will give history the last president of Czecho-Slovakia.

The second big problem is the government's conception of economic reform. The social impact is beginning to be felt on a massive scale, but the naive belief that the problems are temporary still prevails. At the same time, small entrepreneurs as well as the changes of ownership in large industries are gradually becoming caught up in the whirlwind of billions which was put in motion by agriculture: After the restitutions of properties comes the realization that it is not possible to work productively on small fields, governmental policy is artificially pushing cooperatives into the role of debtors to banks—and then only in the second round of ownership changes, again conducted under state supervision, is to come the one to whom the national wealth was assigned by the privatization. And because the situation in Skoda Mlada Boleslav became precarious even after its marriage to big foreign capital, the aristocracy and the church are becoming the only fixed points of forced as well as voluntary ownership changes, because they are able to actually maintain the property.

The third problem of the Czech political scene is the screenings. It is not so much the issue of the fate of former members and collaborators of State Security—the goal is more sublime. The screenings, in spite of the fact that they obviously violate the solemnly adopted Charter of Basic Rights and Freedoms as well as the previously acclaimed international obligations, are for the moment the most important tool for purging the state apparatus. They are not, of course, the ultimate criterion—after all, a total monopoly on power requires the liquidation of competition, the possession of the decisive portion of the national wealth, and the loyalty of the officials.

While the progovernment deputies are making decisions, intoxicated by the illusion that they are creating immutable history, the opposition in and outside the parliament is learning the meaning of the word "desist" (stopping the implementation of official resolutions). Most of those who—whether justly or unjustly—feel left out of the democratic process or the distribution of the national wealth, are beginning a great buildup of pre-election weaponry. The socioeconomic developments and radicalized mood of some of the public lead to the perception that the public is focused on extreme programs—on the extreme right and left of the political spectrum. And indeed, a close look behind the scenes of the Czech political theatre shows that two great centers of gravity are gradually beginning to appear in vague outlines that attract or repel sundry political groupings: the rightist bloc and the centrist bloc.

#### The Rightist Bloc

The center of gravitational pull on the right of the Czech political spectrum is the Civic Democratic Party [ODS]. Klaus' party has come out of the Civic Forum split as the more consolidated one, because it was joined by most of the district managers who provide it with a functioning structure. Its great problem in the elections will be its responsibility for the current socioeconomic situation and the ambivalent relationship of the public to Klaus.

The rightist bloc, which is forming around ODS and which could develop into a pre-election or postelection coalition, includes the Civic Democratic Alliance, the conservative party Free Bloc, the Club of Nonaligned Activists, and the Christian Democratic Party. The courting, to be sure, is accompanied by disagreements, and thus the bloc is beginning to take on the appearance of an ideological and not an organizational unity. The charisma of the ODS chairman and the public's favor, which is close to 20 percent, make the bloc an asymmetric conglomerate for this party. In comparison to the strength of Klaus' party, the other groupings are dwarfs—even though the Czech press, which likes to toady up to the powerful, is giving them lots of publicity. The arrogance of the ODS leadership is a concomitant phenomenon of the blindness of power, the inability to understand that the ambitions of political leaders are not measurable by the number of their followers. It is as if ODS were striving to achieve by some of its steps the notorious status of a "lone wolf." The key question is whether someone from the political center—especially in Slovakia—will want to form a coalition with ODS after the elections.

The basic source of potential strength of the right in the Czech lands is the fact that it treats the state as its own property. At both the parliamentary and government level it succeeded in creating for itself an aura of dominance so thoroughly that it can pressure even democratically elected agencies into acting undemocratically. In such a situation it can use to its advantage, within the framework of the pre-election campaign, any surpluses in the state budget. By a clever manipulation of the

money gained from reductions as well as additional levies, it can gain means for taking populist measures during the pre-election period.

The propaganda tactics of the right, as it reacts to the failures of the government's reform, already appear obvious. First, true to the Klausian extremism, it will maintain that the reason for the problems is the slow pace and inconsistent implementation of the sage ideas of the ODS chairman. Then the search for the culprit will begin. As usual, the enemy will be found among officials and contumacious constitutional functionaries. The state media, under pressure from the right, as usual will make out the opposition to be the mafia, the old structures....

### The Centrist Bloc

Its core could become Social Democracy, which, according to the latest public opinion surveys, has a 9-percent following among the public. In any case, since the end of spring, this bloc has increasingly been coming to life as a result of its activities as well as the changes in the public's mood based on new social experiences.

In Prague today nearly everybody professes to belong to the center of the political spectrum. The program of the Agrarian Party structures it as a party of the center; it calls for a rapacious entrepreneurial spirit as well as responsibility toward the socially weak. The widespread insecurity about the future in the villages, the destructive government agricultural policy and increases of food prices are focusing ever more attention on it. The chairman of the Agrarian Party, F. Trnka, is today unquestionably the best known personality among the opposition representatives of the political center outside of the parliament. Also calling itself centrist is the Czechoslovak Socialist Party, which already has agreed with the Agrarian Party on a coalition and formed the Liberal-Social Union with it. The Czechoslovak Socialist Party has still not recovered from its pre-election crisis. But it can be assumed that the recent recall of the chairman of this party, L. Dvorak, from the position of deputy finance minister of the Czech Republic, because he joined the critics of Klaus' concept of reform, will lead to its revitalization.

On behalf of the Czechoslovak Social Democracy its chairman, J. Horak, has called several times for joining the coalition with the Agrarian Party and the Czechoslovak Socialist Party. But in statements by other representatives of this party, the Social Democrats rejected that commitment. This ambivalence reflects the internal lack of unity of the leadership and its flirtation with governmental power. It is as if some functionaries of Social Democracy have accepted the presumed foregone conclusion about the inevitability of choice between the Agrarian Party and the Civic Movement.

The way public opinion views the Social Democrats is a graphic example of the necessity to create a centrist bloc. Although according to the latest polls the numbers of Czechoslovak Social Democracy adherents have been

increasing for some months now, only 2 percent of them are "definitely decided": Social Democracy could therefore receive 10 percent of the votes just as well as 3 percent. Nothing is definite. But studies made three months ago showed that in a simple total of votes, the Czechoslovak Social Democracy, the Agrarian Party, and the Czechoslovak Socialist Party would receive altogether 10 percent of the votes—in fact, calls for a coalition of these parties attracted about 20 percent of the people. It appears that the public in the Czech lands longs for certainty, peace, the ability to talk together, and for tolerance. The representatives of the centrist bloc should realize this and look for a way to organize itself.

### Those Who Wait and Those Who Hesitate

At this time it seems unlikely that the Czechoslovak People's Party [CSL] would enter into a coalition with anybody. Klaus' relatively strong conservative party is pushing it toward the political center: It, too, is beginning to realize that faced with the results of governmental policy it will have to announce a Christian-socialist program. True, thus far it has refused to take on the responsibility of an opposition; it did not even join the proclamation of the six parties which criticized the government's concept of reform. But after the elections it will have to decide on what even today is bringing it to the discussion table with potential partners.

The big question in the fall will be in which direction the Civic Movement will go. Today, the mutual rivalry between the leaders of the two largest groups which spun off the Civic Forum—the Civic Movement [OH] and the Civic Democratic Party [ODS]—is very great. A reconciliation obviously will not be helped in the impending weeks by the expected pressure by ODS to fill some government positions, nor by the increasing differences of ideas between Klaus and some economic ministers in the Czech government. The Civic Movement has at its disposal a number of well-known people, but in fact its policy is the best way to transform these people into generals without an army. Moreover, in future elections a well-known face from Prague politics may not be the best recommendation to the voters.

Among the OH representatives there is no consensus of opinion on the key question of democratic politics: where to look for allies. Some would prefer union with the ODS, others have eyes for Social Democracy, or even for the entire centrist bloc. However, not a few of these people brought a leader complex from the Civic forum, convinced that they are the chosen ones to stand at the head of all Czech peoples. In addition, certain individuals from the OH leadership are unable to rid themselves of their almost pathological prejudice against the Agrarian Party. Such an attitude could contribute to a further split in the Civic Movement.

### Looking at the Left

The development of the Czech left is marked by the realization, suspicion, but sometimes also by a lack of



understanding, of the fact that its entry into the government is unlikely in the immediate future. And so, not only with respect to the events in the Soviet Union, but also because of the necessity to really establish their identity, a feverish ferment in the left continues within the political spectrum. The last few weeks again deepened their psychological and program crisis. The solution is still looked for at the organizational level, more precisely in organizational splitting accompanied by personal rivalries. Mutual understanding is still lacking, as well as consideration of the ordinary man. It is as if service to people was constantly being shunted aside for the sake of service to magical formulas that would ensure a place in the sun.

The often discussed differences in the program are also accompanied by a different psychological state of mind. On the one hand, one can find a certain resignation to one's fate, a masochistic, offended posture. On the other hand, one can observe a feverish rush and intellectualism, an unwillingness to wait for a new social experience not only in the movement but above all in the entire nation. But democracy is politics of large numbers—if a movement lags behind, it makes no difference if it is right. Politics is not an institution established for eternity, personal justice, or scientific knowledge.

It is the fate of the left to wait for the public's disillusionment with the right. The left can avoid the sharpest assaults by the extreme right only if such assaults are intercepted by a strong and tolerant democratic center. As the results of public opinion polls are being calculated according to a key established by the existing election law—the adoption of a basically different one would probably not receive the necessary number of votes in today's Federal Assembly—it appears that the most likely model of the result is victory by the center, although without gaining an absolute majority. Then the centrist bloc would need a silent support of the left. To aim for higher goals in the Czech lands is unrealistic for the left at this time.

#### **Carnogursky's Eulogy of Husak Criticized**

92CH0174A Prague CESKY DENIK in Czech  
21 Nov 91 p 3

[Article by Petr Pavlovsky: "De Mortuis Nil Nisi Bonum (Speak Only Good of the Dead)"]

[Text] That is what we could have said as we read Jan Carnogursky's eulogy of G. Husak, as well as about his intention to attend the funeral. But there were also other acts, not as singular by far as this one: The public gradually learned about the contribution this high communist functionary made to save a baroque altar from the myrmidons of his own party, then about the last rites administered by the bishop himself, and finally about the minute of silence observed in the Slovak National Council.

The personal motives of the Slovak prime minister are obvious: Husak was imprisoned for his so-called bourgeois nationalism, and after the occupation he succeeded in turning the existing unitary state into a federation. Never mind that it was a federation on the Soviet model, with a built-in Leninist conception of the so-called right of nations to self-determination. Never mind that this right was a right in words only, and that if someone wanted to start implementing it, he came to a sad end, witness the fate of Husak himself. On the contrary, implemented outside of a totalitarian system it leads directly to the disintegration of the state, as the fate of the USSR and Yugoslavia proves. We, too, are still living in a federation of this type. The Christian Democratic Movement and other Slovak "patriots", rather than risk a democratic transformation of this federation by means of a referendum (which was not feared in the Baltic republics, not even in Slovenia and Croatia, and before the proclamation of independence at that) chose to block the referendum.

But let us go back to our first, and God willing, the last Slovak (although T.G. Masaryk was half Slovak, and his name could even be translated into Czech as "Reznicek" [little butcher]) communist president. When during his rule P. Cibulka and many others tried to save and disseminate cultural values, they went to prison. When Pavel Wonka was dying in prison, did he receive spiritual consolation and Christian last rites? We all knew about it, as long as we wanted to (from foreign broadcasts and samizdat) but only the president could pardon him. He did not. Neither did he pardon a host of others who suffered the hardship of prisons and interrogations. Professor Potocka was literally interrogated to death. The Slovak National Council honored by a minute of silence the memory of a man who bore, if not criminal then definitely political and thus also moral, responsibility for this. Whose graves were spat on here?

Germany is firmly demanding the return of Erich Hon-ecker. It wants him to stand trial because in the GDR during his rule they were shooting people who were trying to escape across the border from the socialist paradise. And here they did not shoot? The same kind of people are tried in one country and honored in the other. Could both be part of the same Europe?

#### **Christian Democrat Defends Demand for Sovereignty**

92CH0183A Bratislava NOVE SLOVO in Slovak  
21 Nov 91 p 9

[Article by Anton Hykisch, of the Christian Democratic Movement: "The Moment of Growing Up"]

[Text] In the life of nations, as in the life of men, there come moments which are difficult to avoid.

Now a child must learn to write and read, now a boy starts to shave and a girl begins to use cosmetics. We can think what we want about it, we may find it unpleasant, it may bother our parents, siblings, or neighbors, but



what must come, will come. And the more we resist it, run away from it, the more powerfully it eventually affects us.

We cannot escape growing up, maturing physically and spiritually; in a civilized society it is impossible to avoid graduation, an ID card, or even military service. Every attempt at escape mostly ends in disaster and disillusionment.

Slovakia is a country whose adulthood has been artificially retarded several times. Slovakia is a country artificially kept in the puberty stage, a country, moreover, where some of its population wallows in puberty. This abnormal predilection for powerlessness ("What do I need sovereignty for?") has become natural over the decades not only for the Slovaks but also for their neighbors. Over decades, deviation, abnormality has turned into law, norm, dogma, taboo.

Our forefathers tried to end this abnormality. Recently in the parliament we reminded ourselves how on 19 September 1848 Stur's rebels proclaimed Slovakia's independence from bygone Hungary. It was an immature act for that time and place and did not turn out too well. Similarly, in October 1918 in Turciánsky Sv. Martin our grandfathers declared the end of a thousand-year-old marriage to the Hungarians. That did not turn out too well, either. Although Slovaks were growing up, the grades and access to graduation were denied them for 20 years in the name of an allembreacing fraternal solicitude.

Let us skip, out of courtesy, the era of youthful imprudence of the Slovak state under the watchful protection of the German neighbor.

In the din of machine guns and mine-throwers of the antifascist uprising, the Declaration of the National Council was issued on 1 September 1944, the first truly modern proclamation of Slovak sovereignty. Decree No. 1/1944, Law Gazette of the Slovak National Council, says succinctly:

Paragraph 1—The Slovak National Council [SNR] exercises all legislative, governmental, and executive power in Slovakia.

Paragraph 2—All laws, decrees, and measures remain in force as long as they do not contradict the republican democratic spirit.

Paragraph 3—These decrees go into effect immediately.

The president and government in exile could govern only part of the territory, to govern in Slovakia they needed at least a formal consent and an agreement with the Slovak National Council.

The antifascist Slovakia had such sovereignty also in the Spring of 1945 and in the succeeding postwar years. Formally there was Czechoslovakia, but there were also two currencies, two banks, two markets, two kinds of

prices and taxes; the so-called Czechoslovak Government could pass laws and decrees that were strictly limited to the territories of Bohemia, Moravia and Silesia only.

It took a combined pressure of all Czech political parties and the combined forces of Czech and Slovak Communists to gradually abolish, or at least, moderate, this dualism during the years 1945 and 1946, to put an end, after the "victorious" February, to the authority of the Slovak National Council in the famous Constitution of 9 May in a goal-oriented process that was completed by the notorious Novotny. During his rule, the SNR had the authority to take care of water management, folk crafts, dance ensembles....

The history of the re-establishment of that pathological anomaly began with a series of the notorious Prague agreements in June 1945 and April 1946 between the central Prague government and the SNR Presidium. God forgive me, after the Stirin negotiations, I came to understand the march of history. The central Prague government had its well-trained ministers peel layers off Slovak sovereignty piece by piece, one power at a time—for the sake of a functioning unitary state.

I looked over the memoranda and the agreements. It so happens that the powers which our reluctant forefathers—Slovaks in the SNR Presidium—so unwillingly let go were exactly the same as the ones which we were arguing about a few weeks ago in Stirin and will argue about in two days in Modra-Papiernicka.

The stage changes and only the play, the drama remains the same and leads to the same conclusion. Many of the actors think that for the sake of the common state it is necessary to repeat the same play after half-a-century, that they will actually tame the restless, disobedient youth and prevent him from using his own legs and arms.

The philosophy of a federation from above, the assertiveness with which the federal government entered the play, the philosophy of the agreement between the two national councils as a legislative initiative for the central federal government that has existed from time immemorial and by divine power—is in practice the philosophy of a forced agreement made by tied hands. If some third person ties your hands, you cannot extend them even to your best friend. If two people are to shake hands, they must be free not only spiritually but also physically. They must both have their hands free and limber. To conduct brotherhood in any other way means choosing a bad end, it means to pretend, to deceive oneself as well as others.

The stage maybe remained, but the actors as well as the audience have changed. Even the scripts themselves have changed. There are different subjects, different hits. At the end of 1991, after the great disintegration of the East Bloc federations, only a naive director would think that Czecho-Slovakia alone and its constitution, written under the shadow of the tanks of the dying Autumn of 1968, could survive this general earthquake.

Slovakia this day and now, this Friday, two days before the new debate and the voluntary restructuring of the coexistence of Czechs and Slovaks—taught by recent history—must again declare its maturity, its sovereignty. It must do so in order to make clear that the game of holding it back is ending, that absence of sovereignty is not a normal, but an abnormal phenomenon. To assure itself as well as its neighbors that to be mature is a normal state of being and not a pathological anomaly.

It is said that we do have sovereignty. We have its embryo in the 1968 constitutional law. On paper. If we had sovereignty in fact, then no second or third someone could keep telling us every hour on the hour that our own ministries, offices, our own committees, are not sufficient to manage our transportation, police, schools of higher learning, earned taxes, or patents, but that to administer these essential matters we also need one single agency, a ministry in another capital—because international treaties demand it. But I know something else, something that international treaties also urgently demand—but about all that there was, let us say, a polite silence in charming Stirin.

That is the real situation, ladies and gentlemen, the situation in which the nation of 5 million, otherwise a free and poor country in the center of Europe, finds itself.

Maturity is not granted by a decree, it only confirms it, maturity comes to be same as water, snow, frost, and new trees.

Sovereignty is not a gift, it is a given as is the embryo of a new apple tree in its seed.

Sovereignty is merely discovered, as a new continent. As when a young man in puberty discovers all of a sudden that he has fuzz on his face, a beard. And there is no force, no depilatory, that could rid him permanently of this natural phenomenon of life.

Therefore I suggest to all of you, without regard to political affiliation, to draw aside the cloak from the face of our young man with the delayed and too often held back maturity.

Let us proclaim now to ourselves, to our citizens and voters: We are here, we are grown up, we have our arms and legs, we want them unfettered, we are willing to proceed and work the way we agree together.

Let us not allow ourselves be frightened. Sovereignty is not isolation. That is only something a group of solicitous nurses in white coats, who would lose their well-paid positions in the grand building of the federal founding hospital, wants to tell us.

Sovereignty is the prerequisite for a truly free and voluntary integration with others.

Sovereignty is an extended free hand.

And so we propose to you in good conscience, without fear, without trepidation: Let us accept the declaration of sovereignty of the Slovak Republic. Not a law, not a constitutional law, not an act of parting, revenge, or chaos. No. We only want to arrive at a mutual agreement on several words. We have nothing but these words about the fact that we are here as a distinctive entity, which we feel ourselves to be, and to which we have a right.

Our president is a model of respect for the word. A clear, free, and liberating word.

In the name of this respect for the word, we, too, shall today use words to express before our citizens our longings, to express something that will help us in the coming days and months to survive the hardships on our road to freedom and will give all of us greater strength.

### Some Political Practices in Slovakia Decried

92CH0196A Bratislava KULTURNY ZIVOT in Slovak  
3 Dec 91 p 7

[Article by Robert Gal: "A Struggle for Good and Evil—An Almost Personal Meditation About Correlations of Politics and Ethics"]

[Text] I have no idea why I of all people am writing this, but neither do I know why I of all people could not or should not be doing so. Because I am afraid? I think that today quite a few people in Slovakia are afraid. Until recently they were afraid of some vague "something." Lately the picture has become clearer. But let us take one thing at a time.

One page—actually, just one-half of the notorious supplement "For a Democratic Slovakia" published by the Movement for a Democratic Slovakia on 6 September 1991—will serve us as a document as well as a concrete example for this meditation. Specifically, on page three (although there is no pagination) are presented three articles that should be more appropriately called "party propaganda." Party propaganda of the movement For a Democratic Slovakia. Party propaganda "for" a method that is "against" everything and everybody.

On a single page of this so-called Meciar's newspaper are the names of practically all his pet culprits, the guiltiest among the guiltiest. In an article entitled "Scarecrow" whose author is Jan Balkovic of Banska Bystrica we find them listed in a numerical sequence—The First Miracle, The Second Miracle, and so on, up to the Sixth Miracle. Let us take a closer look at those "miracles." The first of them is no other than Frantisek Miklosko, the chairman of the SNR [Slovak National Council]. The author pronounces an unambiguous sentence upon him: "He is casting doubts on the most revolutionary movement in the Slovak nation's modern history—the Slovak National Uprising, among whose achievements is the rebirth of the Slovak National Council itself!" Exclamation mark! Hear that charge? That tone? How explicit it is! Nevertheless, let us take a look at the vocabulary: "He

is casting doubts on the most revolutionary movement...." We are reading it right. Indeed. Someone is casting doubts on something that is "the most." Actually, it makes no difference whether it refers to anything that is the most revolutionary or the most scientific or simply the most prudent, the most effective, and above all, the most onesidedly interpreted. It is certain that our experiences with the officialdom and even certain "patterns of accusations" still remain fresh in the memory of many of us (or rather, mainly of members of the older generation) who still remember the totalitarian system of the past decades. However, this particular accusation, though written in a less official language (not to mention its tone), is actually meaningless because it simply fails to present a single argument and in reality, as much as a single fact. To make a long story short, it is quite a textbook example of a demagogic "accusation for accusation's sake."

Several "accusations" of that kind follow one after another. Following F. Miklosko, Jozef Kucerak, naturally Fedor Gal, naturally Miroslav Kusy and Juraj Flamik are charged and, in fact, already tried. On the other hand, two ex-prime ministers, namely, Milan Cic and Vladimir Meciar, are praised to high heavens. At this point the reader may ask whether there is any purpose at all in discussing such base and inflammatory articles that are full of venom and that we are actually wallowing in muck, which, to say the least, is disgusting. After all, practically all of us have been reading newspapers, listening to the radio and watching the television long enough to know what the situation is like—that it is dismal. Nonetheless, I think that one may discern a certain group of symptoms from the specimen of this and two other articles I shall discuss presently.

Thus, we shall take a look at another item entitled "The Fedor Gal Phenomenon" and subtitled "Slovak Dimensions of Politics and Ethics". Let us try to disregard almost the entire contents of this article (which should be more appropriately described as overflowing sewage) by Jan Nem. Please note that at this time the problem we shall discuss is one of the most urgent social problems in our country (and not only here), although it used to be quite often—and quite cynically—downplayed and even seemed to have been expunged from reality.

A quotation: "Even more pathetic" (although the preceding sentences do not clearly state what else is pathetic—R.G.'s comment) "that it is he" (i.e., Fedor Gal—R. G.'s comment) "who became an interpreter and coauthor of a revival of Slovakia's historical sin against the Jews, with an intent to use it as the ethical foundation for a new government in his pact with the leadership of the KDH [Christian Democratic Movement]...up to the point when this particular ethical approach of his was called by its true name—a surrender of the results of elections to another party." Here ends our quotation. There is no need for comments on the outrageous charge in its conclusion. Everyone is quite familiar with that whole case, even people who pretend to know nothing about it. However, the first part of the above quotation is

important. In fact, it condenses one theme: The Slovaks (Slovakia) and the Jews, or as the case may be, the Slovaks and anti-Semitism. In view of its very succinct formulation, the quoted extract from the context of the whole article cannot be regarded as distorted. However, this is meant just as a brief additional explanation. We shall now proceed with a critique (in the Kantian meaning of that word, i.e., with an analysis of the problem).

In that sentence its author has levied the charge against Fedor Gal—my father—that "he became an interpreter and coauthor of a revival of Slovakia's historical sin against the Jews." This single sentence is quite sufficient. It not only makes it clear that Mr. Nem is obviously bothered by the revival of a historical sin, in other words, by something which is our duty after more than 40 years of the communist totalitarian system and after more than 50 years of the communist-fascist totalitarian systems that had so harshly and brutally distorted and emasculated our very own, our most intrinsic, history. Moreover, he thinks that this completely natural revival not only of the sin, but above all, of our memory took place or happened as some kind of "Gal's coup" or conspiracy against the (alleged) purity of the Slovak nation which not only is absolutely innocent, but whoever doubts its innocence is guilty. No fascism, no deportations, no Hitler, no Tiso—and what is more, no Jews—ever existed here. What Jews? If there are no Jews—there may be only some specific, individual Jews whom we do not like for the simple reason that they have joined the VPN [Public Against Violence], that they have beards, that some of them are much too smart by half, that they occasionally talk a bit too emphatically—and, above all, that they never stick strictly to what our (illusory) nation wishes to hear.

For instance, that specific Jew, Gal, actually is not a Jew at all; to be Gal is enough for him. Mr. Meciar said something to that effect in one of his recent discussions. What Jews? It is just that Gal with his beard—an unsuccessful politician (with one exception, as Mr. M. no longer serves as prime minister). Nevertheless, Mr. Meciar is mistaken. Or could it be that he deliberately lies? As an example I may present yet another brief item appearing on the same page of the same newspaper; already its title is quite indicative: "The Snout." The author of this particular "sugarplum" preferred to remain anonymous. The item is concise and above all, very explicit. Therefore, I take the liberty of quoting it in its entirety:

"I enjoy reading sketches on all kinds of topics by various authors in the weekly KULTURNY ZIVOT, but my favorite are the comments teeming there like mosquitoes after a heavy downpour, or as Peter Repka says, like buzzing savage wasps; they are signed with the initials S.J., which could stand for either Jan Strasser or Jan Skulavy. In one item the author buzzes about Vladimir Meciar whom he pokes with his sky-high snout

on every possible and impossible occasion. No matter; some people regard their snout as a cosmic predestination."

In fact, the article in question needs no comment; just reread it carefully, especially the last sentence. No matter; some people think that they are predestined to "be the most patriotic Slovaks" and, consequently, allowed or justified to do absolutely anything, even to make little jokes—with obvious, explicit racist undertones.

No, there is no anti-Semitism in Slovakia. No such phenomenon ever existed there because as a matter of fact, there are no Jews in Slovakia—except for one, that naughty Jew, Gal, and for another, that naughty Jew, S.J.

Who is next in line? Could it be that this political screening has no historical precedent? I believe that there still are—and will be—quite a few Jews in Slovakia. And, if not, some can be found just the same. First, however, all the evil instilled in us so laboriously and with totalitarian perfection over those long decades must spend itself: After all, in the end we simply may not know how to act as normal human beings, how to work hard and live without feelings of inferiority. Is that really not possible?

Of course, the situation is different. Of course, the decades of systematic "sky-high" stupefaction of our nation could not and would not generate anything else—for a while. Why for a while? Simply because this situation cannot last much longer, so long as there is a margin of ultimate bearing capacity. In the end the actors in this mysterious drama about good, or rather, about its potential existence—about good and the omnipresent evil—are revealing themselves in a very clear light.

Well, this is said almost in conclusion, except for one more thing: Nothing lasts forever. An atmosphere of hatred and fear intentionally spread by certain people crashes against the walls of its natural limits.

Those are the walls of freedom. Freedom is moaning in agony because only Law can offer it full protection. Law is inexorable—but just.

### **Sovereignty Proper Response to Unitarist Demands**

92CH0183B Bratislava NOVE SLOVO in Slovak  
21 Nov 91 p 5

[Article by Dusan Slobodnik: "Without Ceremony"]

[Text] The spirit of unitarism lives. If it did not sound as clear in the words of Mrs. Buresova and Mr. Kalvoda, who couched it in the inevitability of broadening the powers of the federation at the cost of their own Czech republic (and to say that Czech politicians are not altruistic!—although their "altruism" has a magnetic needle that points only to federal Prague) and, of course,

mainly at the cost to Slovakia, then Mr. Klaus sends a clear signal: There has been enough playing at agreements, that is a weakening of the federation and a tilt toward a confederative structuring of the republic (would someone from among the opponents of a just confederation know how to explain his distaste for it without resorting to the shopworn: That was not our mandate!). And Klaus continues: our crippled federation makes it impossible to have a uniform economic policy on the entire CSFR territory, which is absolutely essential for the success of that policy.

Thus far the most powerful man in the republic, so powerful that he can afford not to have any Slovak deputy who could look into the state finances. Good thing that we have sovereignty and equal rights (true, just on paper, in the Communist constitution).

Several warning notes sounded in Klaus' words. Most striking in this respect was Klaus' statement that the crippled federation makes a uniform economic policy impossible. What kind of uniform economic policy are we talking about, when Slovakia supplies Czech enterprises with semifinished products and raw materials at prices regulated by the state (read: undervalued), whereas liberalized prices apply to finished products from Bohemia and, moreover, the turnover tax for the finished product stays in the Czech budget. A fine uniform economy that is! And they want to make up the budget on this basis. Uniform economy? Its burdens (unemployment, obligation to buy raw materials for semifinished products for the koruna which is undervalued in relation to the US\$) weigh much more heavily on Slovakia than on the Czech Republic.

The budget negotiations—one does not need to be a prognosticator for this—will be marked by the effort to change (to Slovakia's disadvantage) the currently existing relationship between the republics....

Something else should serve as the greatest warning to Slovak politics: It is becoming ever clearer that the director lost control of the economic development, that the gap between the real wages and the inflationary prices has grown far beyond all pessimistic forecasts. It is clear, therefore, that by his statement Klaus got the scapegoat for his lack of success ready. Do not be mistaken, it will not be Pithart (I have not changed my opinion of his role in the political struggle, and I do not think that his position in the government will be shaken), but—Slovakia, its disproportionate constitutional ambitions (read: unwillingness to put its head into a unitarian harness).

Papiernicka is a victory for the Czech side. The victory rests in the mentioned negotiations about the 1992 budget, and in the fact that the focus of the constitutional question will be transferred to the Federal Assembly, where Slovakia (the real one, because the ODU-VPN [Civic Democratic Union-Public Against Violence] deputies will be on the federation side) will be in even worse position than in the Slovak National Council.



But this is no time for scepticism. Although Mrs. Frisova took the liberty to distort the data about the number of signatures on the petition For a Sovereign Slovakia (there were 130,000, not 14,000), well, anyone who is not blind cannot fail to see that Slovakia will not be swayed from its road to sovereignty.

No, this is no time for scepticism. Not even after Papiernicka and the result that could have been expected. Life goes on. Elections—a reminder for those who deny Slovak interests—are again one week closer.

### Havel Defines Ecological Challenges

92CH0198A Bratislava KULTURNY ZIVOT in Slovak  
3 Dec 91 p 1

[Address at meeting of the Prague ECO '92 Public Forum by Vaclav Havel, president of Czechoslovakia: "Once Again: Where From and Where to?"]

[Text] It seems that in the historical spiral of the history of mankind once again the time has come when we as members of the human race should think hard about our place and our role in nature. Perhaps we should consider what exactly we are, from where do we come, and where are we going. In what direction are our dreams, our intentions, our deeds turned? Where actually is our civilization going?

I am afraid that today it is no longer sufficient for us to comprehend the simplemindedness, arrogance and vacuous feelings of a hegemonic person. Likewise, it is no longer enough for us to accept with resignation our insignificance when facing the magnificence of the universe, the history of our planet and the complexity of the nature around us. Anthropocentrism and biocentrism are but two of several extreme standpoints in our approach to nature and to ourselves. They confirm the validity of the principle of action and reaction. If we accept the premise that the relation of human civilization and earthly nature is a partnership relation, we shall not be content with the black-and-white prism of superiority and inferiority anymore.

Homo sapiens—the thinking man was, is and should be one of the active participants in the endlessly convoluted relations and correlations of nature. The desire to know the essence of life is germane to mankind, and the will to be responsible stewards of the fruits of natural processes should be balanced by inner humility before the perfection, beauty and vulnerability of the harmony in nature.

Who knows whether our hesitation will not find encouragement in the almost 800-year-old message of the first Italian poet and founder of the Franciscan order, St. Francis of Assisi, who in his hymn in praise of nature and life, in his confession of his love of God and man, in his song to the Sun, addressed the Earth, water, and the Moon as his sisters, who called the wind, the sun and all creatures on this earth his brothers, and who in his humility before the birth, life and death paid a tribute to nature and to his spiritual lord and king.

It is up to every individual to let the voice of his conscience speak up, to find his place among human beings, and to feel his kinship with the nature. The most prominent personalities in human history as well as the ancestors of each one of us had experienced such feelings. There is no doubt that even our generation will not be able to resolve to satisfaction and with finality the conflict of man's alienation from nature, the conflict that may be traced back to the day when our ancestors descended from the trees or left their caves. However, never before in human history have we come so close to the edge of an abyss where nature lives but where civilization dies. With full awareness of our imperfect knowledge, with the highest degree of caution in our decisionmaking, and with utmost humility before the eternal order of natural motion we must focus all our potential on averting our own fall into perdition. We would not prevent that fall by not taking another step—that would only delay the fall. We may prevent the fall only by turning away from the precipice.

At the particular point on the spiral of development where we find ourselves at this very moment, not the barbaric rape of the very essence of nature, not the frivolous dissipation of the gifts we had recklessly appropriated for ourselves, not even dialectic rejection of all further progress of mankind nor a return to the trees or caves will assure that we shall regain the garden of Eden. We find ourselves in a spot where we were placed by the vicissitudes of our fate, by the effect of natural laws as well as by our own accomplishments and mistakes, and if we intend to survive, we have no other option but to forge ahead.

Among all attempts at restoring peace among men as well as between man and nature, and among all efforts to correlate social needs, economic demands and the ecological potential, the most effective and the most necessary strategy for our time seems to me the strategy of a steady development, of a continuous, sustainable progress—progress that ensures the living and well-being of the people on this whole planet, progress that enables our contemporaries to live a meaningful life, and progress that provides a space for a search for, and achievement of, intrinsic forms of life for those who will come after us.

In our countries, in the former totalitarian zone of Central and East Europe above all, a strategy of support for every innate self-renewing force of nature, for every life-giving, self-regulating, and self-purifying process inherent in nature, and for every kind of well-planned, responsible stewardship of matters that the nature cannot restore in the lifetime of generations, that is a strategy capable of helping us find the right direction for our complex and tedious economic reforms. If people show consideration toward our contemporaries and toward those who will come after us, that will guide our steps on the rough trail of social changes. That, too, is a strategy for a continuous sustainable development.



Our nature as we inherited it from the recent rulers has in many places reached the brink of endurance. And it is a tragic absurdity of our time that while we for many years had to struggle against the insensitive, megalomaniac and arbitrary treatment of nature, we may become its grave diggers if we become reckless for an instant. Individuals, even those whom we with good intentions and in the best conscience have elected to the most responsible economic and political posts, cannot constantly and intently observe whether all aspects of our development are in balance. However, a free society and its democratic mechanisms are always empowered to correct the outcome in an expeditious and efficient way and moreover, to mitigate the risks of one-sided, poorly

formulated ideas, plans and decisions. The most significant role in promoting and developing such "self-purifying" and "self-regulating" processes in society are played by the representatives of nongovernmental organizations and various public associations.

Nature is indivisible, and increasingly emphasizes the fact that our human community also is indivisible. Ecological problems in one part of the world should be reflected in the condition of human souls at the other end of the world as well. Ecological consciousness of individuals and groups should arouse ecological responsibility of whole nations.

**Bauer Scores Fellow SZDSZ Leader Tolgyessy**

92CH0181A Budapest BESZELO in Hungarian  
23 Nov 91 pp 12-13

[Article by Tamas Bauer, member of the National Council of the Alliance of Free Democrats: "Why Not Peter?"]

[Excerpts] [passage omitted]

**"A Political Stature Throughout"**

Some free democrats justified their support of Peter's election as chairman by claiming that he had "firm political ambitions" and that "he was a 100-percent political stature with more political sense in his little finger than any member of the philosopher-economist-historian-sociologist society" (Sandor Szilagyi). I believe that Peter indeed possesses an excellent political sense, he is an outstanding speaker, he is able to express the Alliance of Free Democrats' [SZDSZ] political message in a form palatable to the public (Marton Vargha). I always felt that Peter's place was among the highly visible individuals of the SZDSZ, and therefore I found it regrettable when a year ago in Szombathely he did not agree to be nominated as the managing executive.

In order to be the No. 1 leader, however, one also has to have additional attributes characteristic of politicians. It does not suffice if he alone performs well; he must be able to organize the successful performance of the entire leadership. Above all, the No. 1 leader must be able to integrate the party's leadership, and Peter did not demonstrate this ability in his capacity as the faction leader. The blemish on the outstanding work he had performed in the course of the trilateral negotiations was the fact that it amounted to a solo performance, he did not rely on help provided by the broader community of jurists. The same situation continued in the course of consummating the pact with the MDF [Hungarian Democratic Forum] and the legislative action that followed. A group of legal experts has not evolved around the SZDSZ even to the extent that a group of economic experts has.

The fact that Peter is weak in this regard presents a problem because the new leadership is facing a tremendous task. Even to this point we have been unable to fulfill the requirements only because we could not recognize clearly the things that had to be done; our inability to succeed has been caused by a lack of strength to perform the required tasks. And there was no strength because only a few people pursued the tasks, it was possible to involve only a few fit and committed free democrats in the political process. This is the primary area where things must be changed. It is necessary to unify the forces, there is a need for the broadest possible cooperation. For this reason the most important selection criterion should be the ability to integrate, the fitness to pursue team work.

The other problem is that Peter has not been successful in public debate either during the election campaign or as a National Assembly faction leader. Too often his actions degenerated into quarrels, it was easy to trick him into doing things. This then unfavorably affected his public image.

Sandor Szilagyi is correct in saying that the SZDSZ needs leading politicians "in whom the members and supporters of the party, and the potential voter constituency of the party recognize themselves." Unfortunately, Peter is wrong if he feels that he is a politician like that. This holds true with respect to a segment of the party membership, but it holds true to a lesser extent regarding the party's followers and its voter base. Peter's personality has divided the party membership from the outset, and in particular the broader public. [passage omitted]

Public opinion research indicates that Peter is very popular among party members, but he is by far not as popular among those who vote for the party. The difference between name recognition and popularity is the "intensive index of sympathetic feelings," and this is clearly unfavorable in the case of Peter—he finishes close to the leaders of the ruling parties.

Peter was asked about this matter in the weekly newscast 168 ORA when, in the interlude between the two rounds of local elections, he turned out to be the eighth most popular politician from among 11 for the first time, and ended up between Jozsef Antall and Imre Konya. In response he asserted that being in the opposition was the function of the faction leader, and so was the pursuit of procedural debate, and that this function had been misconceived by the public. Ivan Peto has served as faction leader during the year that has since passed, these thankless jobs had to be performed by him, and yet, Ivan is ranked higher than Tolgyessy in popularity polls even today. We must recognize the fact that Peter is hardly the person with whom the SZDSZ could win an election.

He does not appear to be the appropriate choice also in other respects. In recent weeks he repeatedly reiterated that he felt that the stationary war with the MDF had been mistaken and that he would find it appropriate if compromises were once again made regarding a number of important issues by way of establishing direct relations. In an earlier article I have already described that the greater public had confused us with the ruling coalition. This confusion would be reinforced by the manner in which Peter perceived politics and the way he would continue if elected. [passage omitted]

The SZDSZ would no longer be the same SZDSZ that was founded three years ago, if, in an effort to make the SZDSZ a great party, the new leadership directed by Peter consistently surrendered the SZDSZ's consistent social-liberal platform (with respect to nationality issues, the relationship between the church and state, in regard to doing justice). In response to assertions like this, however, Peter and a number of his supporters, and

perhaps even Imre [as published] might say that it did not matter, let us not use a doctrinaire approach, let us be a broadly based people's party, and then we will defeat the MDF.

But there is yet another and better reason why I regard such endeavors as problematic. The fact is that contrary to the belief of many, an SZDSZ transforming itself this way would not be able to defeat the MDF. A public opinion poll concerning the acceptance of the SZDSZ by society indicates that voters felt that the SZDSZ they have become familiar with during the past year and a half was closer to them than the ruling coalition. We did not alienate our potential voters as a result of the positions we have taken either in regard to the nationalities issue, or with respect to the issue involving the churches or the former leaders of the economy. We may justly presume that we would lose our credibility if we were to surrender our old positions regarding these issues. [passage omitted]

**MDF Representative Palotas on Budget, Economy**  
*92CH0199A Budapest NEPSZABADSAG in Hungarian*  
*11 Nov 91 p 19*

[Interview with Janos Palotas, Hungarian Democratic Forum National Assembly representative and entrepreneur, by Katalin Bossanyi; place and date not given: "Janos Palotas: 'I Am Able To Protect My Interests Even in the Political Marketplace'"—first paragraph is NEPSZABADSAG introduction]

[Text] Janos Palotas, president of the National Association of Entrepreneurs [VOSZ], is a real "enfant terrible" within the MDF [Hungarian Democratic Forum] parliamentary faction. Last year he wrote a counterbudget, later he presented a new tax concept, and now he is organizing a popular referendum in support of the world exposition. Is he going to dig out the hatchet once again because of the budget, we asked the VOSZ president; his latest business plans were also discussed, of course.

[Palotas] Even though the function of the guidelines differs from that of the budget, I can say this much about the functioning of the "central money ministry": My view of them is no better today than it was last year. Figures in the budget "play music," and I believe that I am hearing dissonant sounds, i.e., the same distorted sounds as last year. They are distorted because the budget structure has not changed at all! Less money has been allocated to individual areas, that's all there is to it, and they have not even thought of wanting to finance something different or in a different way. And even in areas where the budget shrinks it does so not because it consciously wants to reduce the state's role, it simply declares that there is no money for that purpose.

[Bossanyi] Would you then say that the distribution is wrong?

[Palotas] The entire structural principle of the budget is flawed on both the revenue and the expenditure sides.

While debating household reform I offered an amendment to to adopt the internationally accepted practice of budgeting, but the amendment did not carry. The problem has now returned in the framework of budget guidelines. I recommended that we make a more pronounced separation between the revenue and the expenditure sides. I proposed that we formulate a withdrawal system which provides for economic and social development while observing the capacity of those who bear the burden, i.e., that we examine the maximum amount that can be withdrawn. Such an amount manifests itself in the form of a number. Thereafter we should take a look at the kinds of expenditures we could finance from that amount and the principles on the basis of which such financing should take place. But the exact opposite is taking place and this, in my view, makes no economic sense. In some countries the constitution rules out the possibility of this kind of planning, in other places the budget law prohibits an approach like this.

[Bossanyi] But the sequence of priorities has greatly changed since last year. Reducing inflation became a higher priority than economic growth. Isn't the president of the entrepreneurs' organization happy about that?

[Palotas] These priorities, however, are not reflected in specific numbers. This plan is just as nice as the program to which our finance minister gave his name. We have a program like that, we can demonstrate that it exists, we can make references to it, but nothing is said about the ways it can be implemented. If the budget intends to stimulate entrepreneurial activities, that has its own institutional system and system of means which has been well established on an international scale, e.g., guarantee funds, subsidized interest rates and so on. There is a vague reference to this in the present budget, but the size of the funding is so low that it seems ridiculous.

[Bossanyi] Between 75 and 80 percent of the GDP is still provided by large industry, which finds itself in a crisis. Considering this situation, do you envision a possibility for a one or two percent economic growth next year in response to the dynamic growth of the private sector?

[Palotas] Yes, but only if all this is accompanied by a selective economic policy. The agony of the disintegrating state sector will only be prolonged if they stimulate the economy without regard to ownership forms. Therefore I believe that the state should stimulate private enterprise. Not by giving money to the private sector, but by not taking away the money! Accordingly, I, too, would shrink resources for subsidies because not every venture is successful only because it is a private enterprise. On the other hand, I would increase the number of tax benefits available to private enterprise. Tax benefits would be of help to the successful and efficient private enterprises, they would accelerate their expansion.

[Bossanyi] Macroeconomic calculations indicate that the rise of small enterprises could not replace the fall of the large ones, simply because of the existing proportional differences.

[Palotas] I dispute the validity of this finding. According to my calculations the private sector ratio today has reached the 40-to-45-percent level. This is so not only because official statistics do not include the black market economy and agricultural enterprises, but also because their system for measuring things has been distorted from the outset.

[Bossanyi] Let us slightly change the subject. By purchasing Pharmatrade you want to conduct an experiment regarding a certain model of privatization. The transaction whipped up a great storm because you would be the first Hungarian private entrepreneur to borrow a rather significant amount for privatization and to accomplish the change in ownership. Where does the evaluation of bids stand at present?

[Palotas] At present I am accommodating the German firm which has entered a bid, i.e., I am waiting until it makes an effort to come here. I recognize the fact that this firm might submit blank pieces of paper on which one is able to dream up an offer that is more favorable than mine. Incidentally, I stick to my offer and I am pleased that the workers of that enterprise support me.

[Bossanyi] But what makes you think you will be deemed credit worthy for a loan of this size?

[Palotas] This is one kind of privatization loan guaranteed by the state that is available to anyone who has the required capital and an appropriate concept. But a decision should be made whether they want to see strong, Hungarian private capital in the privatization market or if they give preference to foreigners! I believe that this issue requires a political decision, not an economic decision. But I am not afraid, because I believe that I am able to protect my interests even in the "political marketplace." Not to mention the fact that I am making a 25-percent down payment in the amount of 200 million forints. This would be lost first if I failed.

[Bossanyi] This might be a tactless question, nevertheless I will ask: From what source did Janos Palotas obtain 200 million forints for this purpose?

[Palotas] I did not begin enterprising just now, I have been doing this since the early 1980's and by now I am financially involved in very many firms. I regularly pay taxes after every forint I make in profits, and this can be verified.

[Bossanyi] It is quite remarkable that VOSZ is very active in its international relations and is conspicuously present in Hungary only as a matter of formality, such as in the workings of the Interest Mediation Council. Why is that?

[Palotas] Because we go to places where it is possible to accomplish substantive work. Interest mediation is a formality today because the government uses it only for the purpose of commenting on issues. For this reason, we, too, represent ourselves only at the "level of a

secretary." But we will engage ourselves in tough negotiations the moment the government takes interest mediation seriously. But not only the government presents trouble. The employer side is also confused, and so are the employee representatives. For example, representatives of the National Association of Workers Councils come to me complaining that they do not have enough members and money and therefore I should provide financing. And I tell them: Well, boys, you misunderstood your role, I represent capital, you are the workers' representatives, why in the world should I be paying you?

### Official Discusses 1992 State Budget

92CH0194E Budapest MAGYAR HIRLAP  
in Hungarian 4 Nov 91 p 11

[Interview with Gyorgy Naszvadi, Finance Ministry deputy state secretary, by Melinda Kamasz; place and date not given: "Gyorgy Naszvadi: They Are Wasting Money Virtually Everywhere; Misery Budget or Something Else?"—first paragraph is MAGYAR HIRLAP introduction]

[Text] Next year's budget is just as bad as this year's. Nothing has changed insofar as its structure is concerned; the opposition calls it simply a misery budget. Expenditure reductions are distributed evenly while maintaining the much-criticized proportions from before the system change. These and similar criticisms could be heard when the Cabinet, with a one-month delay, submitted its 1992 budget guidelines to parliament. How do you react to these views, we asked Gyorgy Naszvadi, Finance Ministry deputy state secretary.

[Kamasz] Opposition representatives uniformly appear to believe that the optimistic expectations for next year amount to dreams only. They feel that it is impossible to stimulate the economy by financing demand with exports, the way the government thinks this can be done. Stimulation could possibly be achieved along with an increased budget deficit and inflation. You, on the other hand, count on a much lower inflation rate next year than this year. According to critics the economy will not have gotten out of the crisis next year, and not even thereafter, the way the government predicts this would happen.... Could it be that you are too optimistic in viewing the situation?

[Naszvadi] Whether the economy passes the low point this year or next year could be questionable. Undoubtedly, 1992 will be a difficult year in many respects. Industrial structural transformation is incomplete and thus there may be a significant growth in unemployment. Aside from that, however, it appears as certain that we need not anticipate another loss of foreign—i.e., eastern—markets next year. One cannot foresee whether there will be an increase in demand, but it is likely that the situation will not worsen. Along with the recession of the large organizational units, the small ones are picking up, entrepreneurial ventures are becoming more active

and this may generate a one to two percent increase in the GDP, as expected. And we base our projected relative decline in inflation on the presumption that the central government will not cause significant price increases next year. Accordingly, the budget does not include a factor which precipitates price increases.

[Kamasz] Many feel that the people are overtaxed. The clear reason for excessive taxation is the need to maintain the planned budget deficit within 60 billion to 80 billion forints.

[Naszvadi] However odd it may seem for me to say this before the termination of tax benefits, I am unable to say otherwise: There will hardly be an increase in the individual tax burden. In essence, the average tax level will not increase, because even though tax benefits will be done away with, tax rates will be reduced somewhat. The situation we saw this year will not exist next year: The population will not carry a disproportionately larger burden than entrepreneurs.

[Kamasz] The budget structure is also subject to criticism. Although it is recognized that expenditures grew at a slower pace than the planned inflation rate, critics claim that the fact that relative reductions evenly affect every field is a mistake.

[Naszvadi] I do not really understand what they mean by an entirely different budgeting system on the expenditure side, and, in general, what certain individuals expect from a budget having an entirely new structure—I do not know what it means to put together a budget of an entirely different character. The trouble is not that the ratio of various chapters is bad if viewed on the basis of a mutual comparison; the fact that distribution within the individual chapters remains unchanged causes at least as much trouble. They are wasting money in virtually every field. One cannot unequivocally state that defense, Ministry of the Interior and administrative expenditures are too high, while funds earmarked for health care, culture and research are too little. One finds the same contradictions in the latter area as elsewhere. These contradictions cannot be resolved in the course of a year, however. State household reform is need.

[Kamasz] Many complain that things that are needed are missing from the state household budget, in other words: the kinds of functions the state is agreeing to perform, and those which it is not. Many claim that the budget is a simple procedural collection of figures.

[Naszvadi] I believe that there is some confusion about state household reform and the law concerning the state household which is absolutely necessary to implement state household reform. One cannot expect the law to constitute reform. Reform would transform the substance of the state household, this takes a longer period of time, the role of the state and the method of financing would evolve over an extended period of time. But this cannot be spelled out in the form of law, nowhere in the world is this done. A societal consensus is needed in every field to determine what the state should or should

not finance in an unchanged manner. And insofar as regulation is concerned, separate laws are needed for academies, education, defense, social security, and in many other fields, each of which would specifically state whether, e.g., support provided for student cafeterias in schools should be supported by the state. Of course, this cannot be accomplished in the framework of the state household law; the law only provides the framework in which the actual reform measures can be taken. This may be viewed as a technicality, but representatives are aware that it amounts to more than that.

[Kamasz] Many people continue to have doubts about the appropriateness of utilizing part of the privatization revenues in the current budget, and their arguments are based on the loss of state property.

[Naszvadi] This would be an issue if it was not for the fact that the budget also includes projected funds to create workplaces, to provide housing construction assistance, and to develop the infrastructure, but these kinds of expenditures are included in the 1992 budget. And it makes no sense to speak of a net loss of assets in the present situation because the deficit would increase if there were no privatization revenues included in the budget, and an increased deficit would increase the state's indebtedness the same way.

### Proposed Income Tax System Described

92CH0194D Budapest FIGYELO in Hungarian  
7 Nov 91 p 17

[Article by Emilia Sebok: "Exit the Entrepreneurial Profit Tax"]

[Text] Discontinued benefits and exemptions, an increased tax base, and a more even distribution of the average tax burden characterizes the proposed new tax system. The equal status of income earners under the tax law and the relatively even distribution of the tax burden is also enhanced by narrowing the gap between business and personal income taxes. Nevertheless, the tax law will have to be amended several times in the coming years before the ideal situation evolves.

### Corporate Taxes

The entrepreneurial profit tax [VANYA] will be discontinued as of next year and will be replaced by corporate taxes. In other words, one type of tax will replace another, and the new tax will be based on a somewhat different philosophy. Considering the changes, the government might as well have discontinued the old benefits provided by VANYA, but this would have disrupted business operations. Accordingly, the government is maneuvering to find out which benefits could be abolished. The dividing line has already been drawn: VANYA benefits already promised or granted to be in effect for a certain period of time may be taken advantage of until the established deadline, but lacking such promise or grant they may be canceled or reduced.



The corporate tax rate has been established at 40 percent, but in order to protect the tax base the net profit shown in accounting records must be corrected by applying several factors. In a manner similar to methods used in developed market economies, "correction" means that from the standpoint of taxes, the law limits the amount of amortization shown in accounting records, establishes criteria for determining the extent to which losses can be deducted, and limits the amount of allowable deductions from the tax base regarding special reserves set aside to cover bad debts or questionable receivables. Tax deductions permitted under the tax law will reduce the present tax base by 10 percent. Accordingly, benefits must also be restricted in order to maintain the required level of state revenues.

Several types of broadly based, activity-, organization- and investment-purpose-oriented benefits are permitted under the present VANYA system. Let us see what will be left of these and what the government proposes to eliminate.

In due regard to the need to attract foreign operating capital the government intends to permit the tax system to exert a regulatory effect for another two years. Accordingly, foreign joint ventures may establish claims for corporate tax benefits until 31 December 1993. But since corporations entitled to such benefits may use these for 10 years starting with the date of the beginning of the entitlement, a long time will pass before this benefit lapses.

Rescinding an already granted entitlement in a constitutional state would be inappropriate. Such action would have unfavorable effects and could jeopardize the smooth transition, nevertheless the grandiose grant of a two year period to establish such claims seems excessive. The fact is that this provision of the proposed tax law violates the principle of competition neutrality and discriminates against Hungarian investors in favor of foreign investors. And as long as the attraction of strongly capitalized large investors to Hungary is the purpose, it would be more advantageous to spend more of the tax revenues on supporting the infrastructural background to investments than to provide tax benefits.

As originally proposed by the Ministry of Finance, joint enterprises would have been able to acquire entitlements to tax benefits only until the end of next year, but in this regard the NGKM [Ministry of International Economic Relations] proved to be stronger for the moment. NGKM officials believe that tax benefits guaranteed by the tax law attract foreigners more than the Fund to Stimulate Investments managed by the NGKM; this Fund may still be reduced in the course of the parliamentary budget debate. On the other hand, Finance Ministry officials would not have dared to fight the various specialized ministries in order to make drastic cuts in the list of especially significant activities, so called, which enable joint enterprises to make larger tax deductions.

The 50-and 60-percent tax benefit may be claimed until the present conditions expire (i.e. for the last time with respect to income earned in 1993) only by ventures and organizations managed exclusively by Hungarian private individuals, which acquire an entitlement to do so by the end of this year. The proposal to revoke this tax benefit is already the subject of strong criticism by entrepreneurial interest groups which regard this action as a grave mistake from the standpoint of economic policy.

It is apparent that while corporations operating with foreign participation may acquire a 10-year tax benefit until the end of 1993, identical corporations whose members are Hungarians only, may do so for the last time this year. And the truth is that rules which change year after year do not encourage domestic private investment.

### The Carrot

And yet, foreigners had to be lured to Hungary with a rather large carrot, because to them this country, and the socialist and postsocialist economic "system," appeared as a very alien and marshy terrain. By now they enjoy tax benefits only if significant amounts of capital are invested, and even then, only with respect to certain types of activities. From the standpoint of benefits based on the activity pursued, private ventures have enjoyed a more favorable tax situation in the past and will continue to do so for two years. Not to mention the fact that benefits based on the type of ownership involved is discriminatory from the standpoint of business organizations operating in the framework of certain organizational forms. And since tax benefits have been declared to remain in force for a limited time only, they do not encourage long-term investment. The government can and will provide assistance to starting private ventures in other ways.

A substantial part of benefits linked to the type of activity pursued will be discontinued next year, and some will cease to exist beginning in 1993. These benefits have been justified before the introduction of VANYA with the definitive effect of official prices, and after VANYA with the fighting spirit manifested by interest groups. Under today's circumstances, however, there is no justification for granting tax benefits e.g., for the sale of food products in small settlements or for sports activities.

The government also plans to discontinue benefits provided on the basis of agricultural, research and development, and health care activities. All this would be truly justified and acceptable if the elimination of such benefits was to be offset by considerate treatment of these activities—by providing state support in some other form. Momentarily the government has neither an agricultural policy concept nor a program for health care reform. Considering the miserable conditions that prevail in the field of innovation, one simply cannot understand why tax benefits related to R&D are being discontinued.

Investment tax benefits may be claimed relative to projects whose implementation has begun prior to the end of this year and until the completion of the investment, or until preferred interest rate loans mature, according to the government's concept. And this makes sense the way it is, as long as the government intends to abide by relevant criteria of decency, i.e., by not revoking already acquired entitlements. But the fact that the privatization of the Danubius hotel enterprise got stuck the other day made it apparent that the government intends to discontinue the tax benefit already granted regarding loans taken out prior to the end of 1988 for purposes of hotel development, even though it had promised to maintain such benefits to the end of the installment payment period.

Accordingly, a substantial part of the benefits will be discontinued, but the expiration date of such benefits will sustain many taxpayers for years, and the simultaneous measures described at the beginning of this article will also reduce the tax base. Consequently the reduced benefits will not provide a sufficient basis for the reduction of the general corporate tax rate next year, and probably not even in 1993.

Changes that require new legislation will also be made relative to individual income taxation. Here too, the basic principle is the strict downscaling of benefits and thus the reduction of tax rates. (The following alternative tax tables offer solutions to this problem, but without providing substantial differences.) Above all, however, we hope that next year we will pay less taxes.

#### Variations on the Personal Property Tax Theme

Monthly Gross Income (in forints)	Monthly Net Income (in forints)		
	In 1991	Recommended for 1992 Pursuant to Alternative	
		A	B
10,000	9,450	9,646	9,583
20,000	16,300	16,813	16,750
30,000	22,700	23,313	23,250
40,000	28,700	29,146	29,750
50,000	33,867	34,646	35,833

(Considering the tax benefits due to employees in 1991 and in the A alternative for 1992.)

#### Personal Taxation

Tables appended to the budget guidelines indicate that the state plans to increase its revenues derived from personal income taxation by 25 percent, which accurately corresponds with the 25-percent inflation rate it predicts. In other words, the average tax burden remains unchanged if all income increases at the same rate as inflation does. "Only" the distribution of the tax burden changes and becomes more even. Accordingly it is obvious that leveling the taxes on personal income will be advantageous to most of those who have not enjoyed

benefits thus far, and will be to the disadvantage of those who have received significant benefits in the past on one or more grounds. (And market conditions will determine the extent to which the loss of benefits may be offset in the form of prices or the wage bargaining.)

It is virtually impossible to tell which strata and professional and other interest groups will lose most as a result of the reduced tax benefits. White-collar workers are among those bound to lose the most. In contrast, although in a different manner, agricultural small producers will continue to pay preferential taxes, moreover, under more favorable conditions than before.

The government generally endeavors to tax any and all income at one point or another, regardless of whether such income is earned by corporations or individuals. The classification of in-kind provisions received from employers as part of the tax base is one of the comprehensive means by which this can be accomplished. In this way, personal income taxes must be paid even after reimbursements received for work clothing, contributions paid to employees for meals, use of official cars and recreational subsidies. These items do not seem to be large, but employers' have also figured out opportunities inherent in such payments and began to make such payments on various grounds—even in the form of social service assistance—instead of granting wage increases.

One need not be concerned about the citizen either. Many individuals have figured out that part of the educational and school expenses incurred on account of their children need not necessarily be deducted from the already taxed income if they establish a cleverly devised trust for this purpose. This possibility will be discontinued as of next year. On the other hand, for the first time the government is proposing special priority rules to alleviate the burden of bringing up children.

#### New Forint Valuation System Introduced

92CH0194C Budapest FIGYELO in Hungarian  
7 Nov 91 p 5

[Unattributed article: "New Comparative Foreign Exchange Composition Established for the Forint"]

[Text] As proposed by the MNB [Hungarian National Bank] the government modified the composition of foreign exchange on the basis of which the value of the forint is established, as well as the practice of quoting exchange rates. The comparative base thus far included foreign exchange used in Hungarian foreign trade to an extent larger than one percent, and was changed once a year. Data pertaining to the previous year's trade had been used as the basis for making the change.

The U.S. dollar value constitutes about 50 percent of the new comparative base, while the other 50 percent is based on the value of leading European currencies. As a

result of the proposed new system the MNB intends to stabilize the present foreign exchange ratios within the comparative base.

The European Currency Unit [ECU] is an important element of the European Common Market's financial system and exchange rate mechanism. The inclusion of the ECU in the comparative base for determining the value of the forint brings the Hungarian exchange rate system closer to that of the Common Market.

Quoting exchange rates is an important element of the change. Beginning in December, when the changes take effect, the MNB will determine the official exchange rates for each day between 9 am and 10 am on every workday. At the same time the quoting of exchange rates a day in advance will be discontinued.

Simultaneously with the introduction of the new system of quoting exchange rates, the central bank enables banks and business organizations entitled to exchange currencies to independently quote exchange rates for bank notes and checks. The new system introduces competition in the trading of foreign exchange; at the same time it also enhances the functioning of the foreign exchange market insofar as rates are concerned.

#### **Former Cooperative Envisions Booming Enterprise**

92CH0194F Budapest MAGYAR HIRLAP  
in Hungarian 6 Nov 91 p 13

[Article by Ildiko Nagy: "They Take Part in Compensation in Their Capacity as Legal Successors; Open House at Sasad, Inc."]

[Text] With an investment of \$1.1 billion to \$1.2 billion Sasad, Inc., intends to implement a four-year program that significantly contributes to the infrastructural development of the area. Seventy percent of the amount comes in the form of foreign operating capital, the rest consists of foreign banking capital. Plans include the construction of a hotel, a gas station, a golf course, an entrepreneurial center, and a leisure center. It was necessary to transform the former cooperative into a stock corporation in order to design this project, chairman and president Laszlo Mihalik said at yesterday's press conference. The meeting was only part of the "Open House" program. The purpose of this program is to familiarize people with their concepts. The stock corporation owns assets worth 5 billion forints, employs 3,200 workers, and sustains itself without borrowed funds. Eighty-two percent of the capital stock is owned by small investors. The head of the corporation encourages stockholders not to sell their shares because they will be worth much more in a few years, after completion of the investment. We learned that former cooperative members have established claims for 57 hectares of land thus far. Anyone who so desires may receive 4,000 forints' worth of stock per gold crown, or the same amount in cash. Of the total stock worth 5 billion forints 903 million forints' worth of stock has not been subscribed to, these are being sold in

Hungary and abroad; plans call for trading the stock on the exchange beginning in 1994.

Many will recall the great turmoil created by the transformation of the cooperative into a stock corporation last March. It was followed by a significant delay in registering the firm on 15 September. Local governmental bodies were among those who greatly opposed the transformation. The situation has changed since, according to Mihalik. The corporation will provide a 5-to-10-percent share, and, on occasion, a 50-percent share, to local governments if the corporation becomes involved in one or another enterprise. [Obscure sentence.] They have contributed 2 million forints' each to Tarnok, Budaors, and the 11th District of Budapest for the beautification of these settlements, and they are supporting education as well as the churches. Their relations with the government have also improved. Although there is no agreement regarding certain public administrative issues, there are no antagonistic contradictions either, Mihalik responded to our question. Its capacity as the legal successor to the cooperative, the stock corporation will implement the provisions of the compensation law, the company president declared. They will satisfy claims either in kind, or in the form of stock. No one asked us in the course of the world exhibition debate what we could contribute to the expo, even though we could make contributions, Mihalik said. The stock corporation is providing 50 hectares of land for a nominal price, and 27 hectares free of charge.

#### **Export Licensing Requirements To Be Relaxed**

92CH0194B Budapest FIGYELO in Hungarian  
7 Nov 91 p 3

[Article by Robert Becsky: "Export Licensing—Are There Privileged Organizations?"]

[Text] Import liberalization has been one of the most spectacular steps in creating a market economy in Hungary, a measure that can be felt by the average citizen. (FIGYELO No. 43, 1991). Beginning next year the number of goods and commodities subject to export licensing will also be reduced further. And how about goods and commodities which continue to be subject to quota allocations?

Discontinuing the state monopoly in foreign trade and declaring the right to trade in the international marketplace as a citizen right has been an important element of Hungary's entry into world markets. Thus far almost 40,000 people have taken advantage of the opportunity to buy and sell goods or services abroad, following a simple registration of the activity. Engagement in import activities has been enabled from a practical standpoint by exempting more than 90 percent of all imports from under licensing requirements. Except for a certain category of goods, any person who has enough forints may purchase things in any country.

Less is talked about the liberalization of exports. The fact that while 90 percent of the imports enters this country

without a permit, only 60 percent of the exports is not tied to a license is, by all means, remarkable. Moreover, in as late as 1990 the export of all goods was subject to license. Until last year this was justified by arguments about trade with socialist countries, relations in which the volume and value of mutually exchanged goods had been fixed in the form of bilateral interstate agreements. Trade balance and balance of payments considerations supported the continued requirement of licensing in the context of trade with market economies. Export licensing requirements did not cause problems because even a year or two ago only a few dozen specialized foreign trading enterprises transacted between 70 and 80 percent of all export and import trade.

This year, however, an opportunity to liberalize exports arose as a result of the shift to dollar-based settlement. And insofar as the specialized foreign trading enterprises performing the bulk of transactions are concerned, their activities and the earlier practice of export licensing has been criticized from several vantage points. Not too long ago the Monopoly Group opened a new file to gather complaints received from merchants who for one reason or another did not receive export licenses. Quite often these complaints are not unfounded: In given situations the opportunities available to competitors are not equal when it comes to filling one or another foreign order. For example, in the Monopoly Group's view, specialized foreign trading companies enjoy privileged situations.

NGKM [Ministry of International Economic Relations] Licensing Division Chief Janos Csendes does not dispute the fact that while enjoying their monopolistic situations, foreign trading companies have used or abused their superior power as long as all exports were subject to licensing. Mildly put, one is biased if he does not or does not want to notice the changes in the system that have occurred, such as the fact that this year only 40 percent of the exports is subject to licensing, and that as a result of privatization the "organizational conditions" for privileged situations disappear. And insofar as that 40 percent is concerned, a certain part of exports must continue to be subject to licensing based on international agreements and self-imposed limitations.

We can expect further simplifications in export licensing next year. According to prevailing perceptions export licenses will be required for shipments to countries with which Hungary has agreed to observe self-imposed limitations. This presumes, of course, that Hungarian exporters will not frustrate the internationally agreed upon obligations by diverting shipments through third countries. Thus, the 40-percent ratio of goods subject to export controls in 1991 may be further reduced.

The system within, and the criteria by which potential exporters may compete for export sales is yet another matter. The NGKM division chief says that the government intends to remove itself from licensing processes, but this can be accomplished only at a pace consistent with the rate at which spontaneous organizations composed of consumers and producers come about, the way

that has evolved in the western hemisphere. In Hungary, 15 to 20 specialized export organizations have been established with scopes ranging from game all the way to fruits, canned goods and meat products. These organizations determine the respective export share of each of their members based on quotas established by international agreements. Monopolistic situations may still evolve within these organizations when sales are assigned to the strongest foreign trading firms.

This is one reason why the NGKM appealed to these associations early this year to transform themselves into public organizations, according to Janos Csendes. Their membership should include not only legal entities, but anyone who acts as a producer, consumer or trader. Otherwise the NGKM would not accept them as partners. It would be particularly important to form councils for each and every agricultural product and produce. This is so because the EC—the organization we want to be associated with and join later—has strict import restrictions not only with respect to agricultural products. Quotas also exist for the importation of textile and steel industry products. Quite naturally, one cannot ever be absolutely fair in allocating these quotas. For example, with respect to export allocations to be made early next year a potential exporter appearing at a later date may justly claim that he had been unfairly deprived of the opportunity to export.

The NGKM believes that future quotas should be sold, and that licenses be issued to exporters who guarantee the largest per unit foreign exchange revenue. Not even this internationally accepted method could be regarded as fair to everyone, because the person holding out the promise of the largest amount of foreign exchange revenue could lay claim to the allocation of the entire quota. A situation like this could not be remedied by leaving out merchants from the produce councils, as that has been recommended by some. Doing so would not rule out the above-mentioned possibility, and besides, ruling out a certain class of individuals or organizations could not be reconciled with the principle of competition neutrality and could not be regarded as equal under law.

Monopolistic positions could also be blunted by a contemplated change according to which licensing would vary in the future per country or per group of country. This is so because thus far any past agreement with a country or group of countries concerning the licensing of one or another product category has automatically applied to all countries.

Debate over the principles and organizational forms of export licensing continues. One thing is certain: Regardless of what kind of system evolves, it will include the quota allocation principle and the end result, so that export opportunities are made available to everyone.

But a politically motivated recognition of the old monopolies and an elegant disregard for the emerging monopolies is equally mistaken. By no coincidence,



foreign and domestic government procurement is governed by strict competitive rules and tender bidding requirements in developed market economies. Within EC plans for unification in 1993, policies concerning the 12 countries' government procurement and the opening of a several hundred billion dollar mutual credit account play a significant role.

Hungary is at the very beginning of things in this regard, it is not even a member of the GATT code governing procurement, even though the threat of collusion is rather great in the state sector. For example, car manufacturers provide a 20-percent discount for large volume state procurement nowadays. Competitive tender bids by potential dealers reduces the threat of abuse, even though it does not rule out such abuse.

On the other hand, along with any measure restricting monopolies, one cannot rule out possibilities for the exercise of superior power in the marketplace, regardless of how perfectly a market economy may be functioning. This is so because in general, the exercise of superior power in the marketplace is not only politically, but also economically motivated.

#### **New AVU Deputy Director Interviewed**

*92CH0194A Budapest FIGYELO in Hungarian  
7 Nov 91 pp 1, 12*

[Interview with Gabor Slosar, newly appointed State Property Agency deputy director, by Gabor Karsai; place and date not given: "Where Did He Come From? Where Is He Going?"—first paragraph is FIGYELO introduction]

[Text] Gabor Slosar, the State Property Agency [AVU] deputy director appointed a few weeks ago, does not regard himself as an MDF [Hungarian Democratic Forum] commissar, but his perception of privatization differs from the concept thus far advocated by the AVU.

[Karsai] Thus far the AVU had only one deputy director, i.e., your function is new. Did you take over functions from others or were you given new ones?

[Slosar] Managing state-owned property has been under AVU authority before and AVU has a directorate which deals with that matter. Now that privatization can be accelerated based on the established strategy even through compulsory means, a far greater volume of assets will be transferred to AVU. It is my job to develop an institutional system for caring for this property.

[Karsai] I have heard two conflicting views concerning your appointment. One holds that you are the MDF's commissar, the other conveys the exact opposite: As a person who wields influence in the MDF, you will defend the AVU against attacks launched by the ruling parties.

[Slosar] I am not suited to play the commissar's role, I would not even accept such an assignment. I have heard

very mixed views about the AVU before. In many cases the AVU cannot be blamed for slowness and for questionable decisions; decisionmakers of an office that fundamentally influences the fate of persons and organizations will, necessarily, be in the crossfire of attacks. One also has to recognize that the "tenure" of a person performing a state function in Hungary today is about two years, irrespective of whether that person does a good or a bad job.

[Karsai] Do you feel that AVU managing director Lajos Csepi has not much time left in his present post?

[Slosar] I used the term "tenure" in my own context. Mr. Csepi has been in office for 15 months, and it is possible indeed that he becomes riddled with bullets in the next nine months—a situation I would not like to see, but one that is possible nevertheless. I do not agree with perceptions that hold that an organization should be renewed by relieving its upper management all at once, and that improved staff performance would follow as a result. Continuity is also needed, new management also needs to rely on the accumulated experience of the previous leadership, and it takes at least half a year before a person learns his new work assignment. I often say that if someone would relieve my managing deputy director colleague Karoly Szabo on a "God help me, but right away" basis, such action would cost the Hungarian state a few billion forints. One should provide a replacement who learns the work function and is indeed capable of replacing his predecessor insofar as his talents are concerned, before letting a person go. So, I would be very cautious in making personnel changes, even though there obviously will be such changes in the future for the greatest variety of reasons.

[Karsai] We do not, at present, have valid property policy guidelines, because the National Assembly was not willing to extend the existing property policy guidelines, and because new guidelines were proposed only in the last moment. To top it off, the dispute, and with that the present situation of not having legal authority, may be prolonged even further because the ruling parties are divided on the issue: The Monopoly Group has its own privatization proposal. In principle the AVU should function only within the limits of property policy guidelines. Is this situation going to bring privatization to a halt?

[Slosar] There are guidelines and the laws are in force; the only thing missing is parliamentary approval of the guidelines. Work must not come to a halt; the AVU is working on a continuous basis. There are no impediments in the path of decisionmaking processes. Urgent decisions of great significance are presented by the AVU board to the economic cabinet for approval. And the cabinet is capable of judging AVU proposals based on the privatization strategy it has already adopted.

[Karsai] According to FIGYELO's records, a number of diverse governmental privatization strategies have seen the light of day in the past six months, and I suspect that



the present privatization strategy is not the final version either. I get this impression by wording that permits several interpretations, and by a sprawling work program that suggests that decisions are being delayed (FIGYELO No. 41, 1991). What is the real cause for the inability to make decisions?

[Slosar] Privatization, too, is like football. There is full agreement concerning the need for rapid privatization and the present dispute centers primarily around the issue of how it would be possible to prevent the sale of state property below value, and how to efficiently protect and manage property that remains in state ownership. We cannot sustain a situation in which no state organ has unlimited power over state property, like private owners have over their property. Delays in decisionmaking are caused mainly by the distribution of authority flowing from ownership among enterprises, the various ministries and the AVU.

[Karsai] Finance Minister Mihaly Kupa criticizes the AVU because of its centralized decisionmaking process, which slows down the privatization process. In contrast, the Monopoly Group advocates the opposite of the government's privatization strategy and demands the total nationalization of the process (FIGYELO No. 43, 1991). You support the latter point of view, if I understand correctly.

[Slosar] I am not familiar with the speed Mr. Kupa has been counting on in regard to privatization, but a state organization, and particularly one that has been attacked as many times as AVU, could not be expected to function otherwise than by using bureaucratic methods and endeavoring to be on secure grounds. In addition, the AVU must not be held responsible for the division of ownership rights either—the matter that renders decisionmaking more difficult. There is no solution but to concentrate the state's ownership rights within one organization, and to accurately define the authority and duties of that organization unless we are inclined to entrust privatization to managers who act according to their own interests.

I would not go so far as to say that the strategy advocated by the Monopoly Group is the opposite of the government's strategy. It starts out on a different path but the ultimate goal is the same. One could argue the appropriateness of entrusting the founding ministries with the management of transformation effective immediately, but the goal, to concentrate ownership rights, is the same. Incidentally, the government's privatization strategy also states that so-called autonomous enterprises that fail to transform themselves into corporations by the end of next year will be temporarily placed under state administrative supervision, and this would be followed by the compulsory establishment of a corporation. I believe that you misunderstood this matter, because I support the cabinet position in this regard and not the Monopoly Group's view.

[Karsai] Under your leadership, six months ago the MDF economic policy committee developed a holding corporation concept that conflicted with the strategy then advocated by the ownership and privatization committee of the economic cabinet (FIGYELO No. 14, 1991), and which was similar to the strategy advanced by the Ministry of Industry (FIGYELO No. 17, 1991). The concept developed by your committee provided a broad definition for property to remain in long-term state ownership; at the same time, however, it would also have placed property temporarily remaining in state ownership under the holding corporations. Several individuals criticized this concept (FIGYELO No. 18, 1991) because the state is not a good owner and because holding corporations are not interested in privatization due to their interest in perpetuating themselves. How do you view these concepts today?

[Slosar] I would still not be able to come up with anything better than the holding concept. We wanted to retain majority state ownership within industry only with respect to the energy and military industries. We felt that majority state ownership would also be possible relative to the electronics industry, but we did not really support this idea. And I regard majority national ownership as satisfactory with respect to protected trademarks by now.

The self-sustaining instinct of holding corporations has its dangers indeed, but these can easily be offset. Property policy guidelines could specify the volume of property to be privatized, agreements could be reached with holding corporations concerning the expected amount of return. The leaders of holding corporations should be relieved unless they fulfilled these expectations. Incidentally, a mixed profile holding corporation could serve as an excellent school for professionals involved in property management. After departing from holding corporations they could move to the private sector and earn multiples of the income they have earned at the holding corporations. I already see this happening with members of the AVU staff.

[Karsai] I am afraid that this would amount to an excessive tuition to be paid by Hungarian society. But hiring even the best professionals would not alter the situation that state holding corporations could not render business policy and personnel decisions on the basis of private ownership, and this system would at first lead to a "major house cleaning" and then to the selection of new leaders based on political consideration and personal relationships.

[Slosar] No market economy has thus far been able to eradicate personal relationships. But consider the fact that we may be talking about the forced transformation of some 2,000 firms and that the number of persons appointed by the state may be more than 10,000 if the state delegates three persons to each of these firms as directors on various boards and as members of supervisory committees. This number is way too large to permit anyone to prepare lists of people he wants to delegate to

these places. Incidentally, the possibility of placing enterprises under state administrative supervision exists even today, and we have taken advantage of this possibility wherever such action was warranted. I feel that your concern about "major house cleaning" is highly exaggerated.

The amount of expected returns specified to holding corporations would render impossible the long term employment of unfit persons in these positions. And the staffs of holding corporations would have to enforce these requirements vis-a-vis the heads of enterprises.

[Karsai] This reminds me a bit of the old plan breakdown trust structure.

[Slosar] This is totally unfounded because holding corporations have no way of regrouping property and income between among stock corporations. They could render decisions concerning development projects in a given corporation at most, and only to the extent of the actual profits of such corporations. Privatization is the goal of holding corporations. If a holding corporation found that a firm needed a major investment, it would turn to the ATI [State Ownership Institute]—the umbrella organization for holding corporations—and the ATI would render a decision within limits established by property policy guidelines. But resources are not available today for such development projects, the attraction of foreign capital appears to be the only feasible way, and this materializes in the form of increased capital or sale, or, perhaps, by combining the two.

[Karsai] Establishing the ATI is also included in the government's privatization strategy, but like holding corporations, it also pertains only to state property to remain under long-term state ownership. But the concept of long-term state property has not been clarified. I understand that some view this matter so broadly that they regard all state property that is not the subject of a privatization process as long-term state property. What is your view?

[Slosar] I do not believe that there is a need to divide state property into two parts. Partial privatization is possible even in regard to property that remains under majority state ownership in the long term, and I regard holding corporations as appropriate vehicles for the management of property that is supposed to be privatized as soon as possible. The privatization strategy that was submitted to the cabinet contained the idea I approved of, but in the end the cabinet decided differently. The fact that the present debate pertains to property to be owned by the state in the long term is a consequence of this.

[Karsai] If I understand this matter correctly, Minister Without Portfolio Ferenc Madl, who oversees the AVU, has played an important role in reaching a cabinet decision that differed with the submission, and that the AVU leadership did not share your view either. You must be in an odd situation.

[Slosar] I would not go so far as to say that no one on the AVU board agreed with me. And besides, it makes no great difference whether long-term state-owned property is managed by a holding corporation or an institute. The emphasis is on the performance of the ownership role and on the operation of the state property. Accordingly these tasks must be performed as best as possible. Similarly, I do not believe that the privatization strategy adopted by the cabinet is carved in stone, it is likely to change in response to parliamentary debate over the property policy guidelines. It is unlikely that parliament will revert to the concept that has been submitted, but I would regard some intermediate solution as possible and desirable.

[Karsai] Who will establish the ATI? The AVU? Could it be that this is one of your assignments?

[Slosar] I do not know.

#### [Box, p 12]

#### The Past

Gabor Slosar, 51, left the Budapest Electrical Works as a chief engineer and became the president and chairman of a construction industry stock corporation. He has already resigned this post, as well as his board membership at Publica, Inc., which was his "favorite child" and which also published UJ MAGYARORSZAG. He felt that there was a conflict of interest between these positions and the one he held at the AVU. He intends to depart from his post as chairman of the Hungarian Entrepreneurial Foundation only if the board of that foundation finds it necessary. On the other hand, he had to resign his managing—leadership, from a practical standpoint—position in the MDF economic policy committee. He established an economic work collective [GMK] as early as 1982; at present he partly owns several private ventures, and his income is supplemented by fees paid for two of his patents.

#### Rigged Computer Tender Processes Alleged

92CH0194G Budapest MAGYAR HIRLAP  
in Hungarian 29 Oct 91 p 8

[Article by Gyorgyi Rajna: "Fierce Struggle for the Tight Computer Market—Too Much Chaos in Tender Bidding"]

[Text] IBM Hungary KFT [limited liability corporation] President Elek Straub is angry. He is unable to understand the way tender bids are being evaluated. There is really no way of clearing up suspect situations, this could be done only if members of the trade would cooperate.

IBM is not only the largest but is also the oldest computer firm in Hungary. In terms of ranking on the basis of worldwide sales it holds the 4th or 5th place, its sales volume is \$65 billion, and even the next largest competitor has sales amounting to only one third of that amount. At the same time, IBM has been the sole

Western firm that, oddly enough, has continuously operated in Hungary ever since 1936.

Today it has a staff of 100 in an all-glass building.

They are still the largest computer firm, but the rest of the firms also are there. Above all, DEQ (Digital Equipment) is right in the footsteps of IBM—at least insofar as medium-sized computers are concerned because they do not sell personal computers [PC]—even though the firm established itself as recently as last year. IBM has been selling personal computers since last year.

Prices are rather depressed, the president says. As a result of discriminatory actions the cheapest computers from the Far East had been imported until last year, often by private persons in a disassembled form. "Our products, on the other hand, are quality products, and therefore they sell at higher prices. We have rather great difficulty in breaking [into] the market," Straub explains. In this market a demand for 30,000 to 40,000 PC's exists, and we are lucky if 10,000 of those call for good quality products. The fight is going on for this quantity.

Since the importation of computers has been made easier—partly as a result of liberalization and in part because of the relaxation of the COCOM restrictions—a rather large number of competing firms has appeared in the market. "And a bloody, tough fight began for the small market," Straub adds.

The way things start out is that distributors sell large quantities of their machines primarily in response to tender invitations. And such tender invitations are issued daily. In other words, IBM prepares proposals on a daily basis, and this requires no small amount of work. The end result is rather depressing. In one instance the bidding deadline was 12 noon, and the results were announced an hour later, even though there were several bidders.

"Unfortunately, a tender bidding practice has yet to evolve. Those who issue the tender invitations have no sense of responsibility whatsoever concerning the propriety of judging," Straub explains. "And we enjoy no legal protection in this regard."

Since IBM is not the only one to complain, computer manufacturers asked their interest group, the Hungarian Economic Chamber to help. Accordingly, those who

suffered losses have gotten together and the Chamber is examining just what it could do.

"Not much," according to Csaba Viosz, executive secretary of the association of computer and management firms. This is so because membership in the Chamber is not mandatory, and under such circumstances the manufacturers could only resort to the courts challenging the outsiders. But on what grounds could they take court action? Since tender invitations are generally put together in an unprofessional manner, the one who writes these invitations exercises a rather broad discretionary authority. "In other words, it is rather difficult to find specific proof of culpability, at the same time, however, it is the easier to assert claims of malicious intent against us. The possibility of making a somersault is too great, although we, too, are aware of ways in which bids are being judged. The situation is too chaotic in this field."

Accordingly, the hands of the 10-month-old association are tied, and the available opportunities are small particularly at a time when the executive secretary performs his work in the framework of a second job. But in order to protect the interests of the membership they have established a seven-member independent expert committee, which is trying to compile a code of professional ethics (they already have a code of ethics). (Its members have signed a statement to the effect that they have not entered tender bids during the past two years, and that they would not do so during the next two years.) The code of professional ethics would contain fundamental standards based on similar standards that prevail in other countries, and would provide guidance as to ways in which the membership could act if it discovered suspect circumstances. Beyond that, the association offers its help to the ministries and to local governments to draft tender invitations and to take part in judging the bids.

"Mandatory membership anywhere, in any organization would be the only real help. In Austria, for instance, almost 60 persons perform the same job we are performing with two people. And when they take action against a firm if suspicion arises, they might exclude that firm from among the members, thus condemning it to death," Csaba Viosz tried to provide a prescription.

It seems that we are still far from having a situation like this....

# **Breakup of Catholic Political Community Reviewed**

92EP0100A Poznan WPROST in Polish No 45,  
11 Nov 91 pp 24-25

[Article by Andrzej Micewski: "Family Feuds"]

[Text] As a religious community, the Catholic Church is definitely unified. In political terms, however, Catholics are quite clearly divided. It was so already before the war [World War II], but at present additional causes contribute to this state of affairs.

An important part in breaking up the Catholic community was played by the political camp that ruled Poland after the war, until 1989. Breaking up of the church, as well as the clergy, was not successful enough to reach significant proportions. On the contrary, Marxist materialism consolidated the internal unity and resistance of the church. At present, however, believers show less resistance to the so-called practical materialism, to the temptations of the material world in a period of liberalization of all the spheres of life. The church, nevertheless, is one of the most important moral authorities in Poland, which may be called upon at times of dangers and social crises.

The fanaticism of some of its sons is detrimental to the church.

The communists did manage to create serious disharmony among church political circles. I am not speaking here about groups that chose close cooperation with the ruling camp after the war, because they still constitute a margin of the Catholic community. I mean prewar differences carried over in the Catholic community that may be summarized as a dispute between the national orientation and the orientation of personal freedom. Furthermore, another controversy overlapped this disagreement within the Catholic community, a contradiction between the mass's Catholicism and the intellectual open Catholicism. When the national and liberal controversy also reached the communist camp, it employed a policy favored by all dictatorships: "divide et impera," successfully fanning disagreements between Catholics that were oriented nationally and liberally. I wrote about this in my book *Between Two Orientations*, and Andrzej Werblan in his review of the book in *POLITYKA* stressed the contribution of his own camp in the political disintegration of the Catholic world. Werblan also discussed the interests of his own political camp, because at the end of the eighties, so dramatic to communists, the Catholic world did not become an independent political center, but melted into the nationwide "Solidarity" movement.

In Solidarity, the main role was played by liberally oriented Catholics, which is understandable because they could easily find a common language with lay liberals. In this way, a formation was created which at some point was quite pertinently called the lay and Catholic left. Today, this formation, undoubtedly, does

not have a leftist character any more, because it led Poland practically towards liberal capitalism. Only some of its circles have kept their leftist orientation, as for instance Labor Solidarity of Karol Modzelewski and Ryszard Bugaj, whom I regard very highly for their ideological consistency, although both have engaged in unelegant polemics with me. It is a fact, however, that right now the chief Catholic intellectuals, such as Jerzy Turowicz, Stanislaw Stomma, Tadeusz Mazowiecki, or Andrzej Wielowieyski, are in the Democratic Union [UD], which is not a party of the future, because it includes people with very different philosophies and is rather doomed to divide. It is, however, a very good prelections instrument, and Tadeusz Mazowiecki wants very much to become the prime minister again and without Walesa's blessing. Only then, unfortunately, the future prime minister would have a very hard life, because Poland will soon come to a very dramatic economic crossroad. It may also be worth repeating what I heard in German circles, that Mazowiecki, while still prime minister, apparently said to Kohl that he was a Christian and a democrat but not a Christian-democrat, which apparently made Kohl very angry. All in all, Catholics in the Democratic Union emphasize their distance to Christian-democracy, which is understandable in view of their alliances.

Other Catholics have divided into several Christian-democratic and, unfortunately, also nationalistic groups. The National Party [SN] does not interest me because it reproduces prewar programs, and has activists of very uneven conduct, as for instance Boguslaw Rybicki. The Christian-National Union [ZChN] has a good minister of justice, but also activists that are rather extreme and fanatical, which is always bad in politics, and unacceptable in religion. I am worried, however, by the dispersal of Christian-democratic forces. The Center Accord [PC], unexpectedly, also defined itself as Christian-democratic and attempted an alliance with the Christian-Democratic Union [CDU]. It is understandable, because German Christian-democracy is very rightist, as opposed to Italian, which is centrist and even center-left with a tendency to reach compromises with social-democrats and even socialists. This latter option is definitely closer to my liking and I would urge the Democratic Union Catholics to adopt it when the Union divides.

The current divisions in the Christian-democratic community are, unfortunately, rather embarrassing, because they do not seem to be justified by reasons relating to programs. They are still related to the divisions in the Solidarity camp, or to affiliations with this camp. Counsel Sila-Nowicki has been insulted with statements that he was Kiszczak's representative at the roundtable, which was not true, although the leader of the Christian-Democratic Labor Party [ChDSP] had a very ambiguous offer. And here we come to the second serious cause of division in the Catholic community. During the preparatory stage to the roundtable talks, I urged primate Glemp to make sure that the church had representatives



of Christian-democratic groups at the table. The church did not do that, undoubtedly, in the name of the principle of noninterference in politics. Seats at the table were taken by two respectable priests who were observers, and no more than mediators in situations of conflict. Christian-democrats were left outside, and consequently stayed outside the main political movements, unless they somehow attached themselves to the president's camp. And what does it matter if, later, Sila-Nowicki expressed rather critical remarks about this roundtable, since the absent are never right, and formally there were no Christian-democrats at the "table." The mistake was simply made earlier, by failing to make contact with the high decision making parties at this "piece of furniture." There is no use in criticising it now, because the roundtable, no matter whether one likes it or not, has a historical significance. In consequence, it allowed the former opposition camp to take power in a peaceful way, and the former government camp to give up power while preserving its face, by complying with the verdict of the June 1989 elections. It rarely happens that a dictatorship gives up its power so painlessly and in such a mannerly fashion. It has to be spelled out in order to be remembered by the proponents of brutal democracy.

The breakup of the Catholic world has resulted, therefore, from two historical causes: first, prewar traditions and ideological contradictions, which should have been long overcome, and which the communists zestfully managed to preserve; and second, failure of Christian-democratic and church circles to see the crucial significance of the roundtable in the future political geography of Poland.

A few months ago, I published an article in a Warsaw paper containing the following thesis: democracy—maybe in five years.

I still maintain this belief. In the next four years the agreements of the roundtable will certainly become completely outdated. In the meantime, very serious changes will occur in the social structure, and a diversification of social needs and interests of the middle and higher propertied classes as well as of people living only of their labor. These transformations will be accompanied by changes in the Polish political geography. Let us hope that three or four parties will emerge which will differ not only in theory or in ideological genesis, but also in their expression of real and diversified social needs, reflecting people's economic and social situation. This, however, is a vision for the younger people. It does not interest me personally, although I would like to see if it is fulfilled.

**'Counterculture' Press: Alternative, Ideological**  
92EP0065A Poznan WPROST in Polish No 42,  
20 Oct 91 pp 52-53

[Article by Wieslaw Kot: "A Waiting Room for the Supersensitive: Counterculture Press: No Shots Can Be Fired From Freedom and Peace Papers"]

[Excerpts] In general, the underground press has two traits in common: the conviction of its founders that they have found the recipes for saving the world and poor print.

The producers of the Walbrzych fair of the *zina*, or underground papers, that make up the contemporary Polish counterculture have the ambition to have their city remembered at times other than "when discussion concerns mine closing, unemployment, environmental pollution, and restructuring."

These subjects are proper to the extent that they are discussed to the point of boredom, and actually boredom with subjects that one hears about incessantly, but without any practical result, is the first step to "escape from corrupt systems" and becoming involved in the counterculture. The counterculture has two common traits: the conviction of the founders that they have found the recipes for saving the world and poor print. Since the movement includes those that are alternative and "more alternative," we shall begin with those that are more digestible.

The first group of papers are bulletins duplicated in sievelike type by various, momentarily hard-pressed publishers, romantic pragmatists such as vegetarians ("Animal"), animal rights defenders ("Skowyt" [Yelp]), or ecologists ("Zielone brygady" [Green Brigades]). For the moment, these movements are taking advantage of the primitive techniques of duplicating information since they know very well that in Poland vegetarian ideology or ecological initiatives are in an introductory phase but may any day now become permanent contributors to columns of the respectable press. Finally after 50 years of living in a system in which no one protected people, it is difficult to expect that in Poland the idea of protecting animals would have a successful career. Meat has been a rarity for so many years that for people who have not had the opportunity to even taste it properly, it would be a difficult thing to give up. The ecologists are in a somewhat better position; they know that so-called life will launch their ideology quite soon, if life itself intends to survive. The bulletins of the Polish "Greens" have left the slogan stage behind. They are appealing to rationalism: They publish maps of pollution, convince with graphs, numbers, and tables that which will soon appear in the serious press and in serious election programs. And the underground papers will find their way to display windows in party headquarters as testimonials from the heroic period.

The ideologists are going another way. The intellectual work will be done for them by hired eggheads, but only after victory and only if such work will then appear to be necessary in general. They are a battering ram that crushes the structures of the politically infantile public. Skinheads from Bydgoszcz ("Legion"), with a nationalist-fascist orientation, have their minimum program: "I believe that Poland should be purified of everything that is not Polish, of all foreign accretions."



**"Poland Is Only for Poles"**

"Let the Germans, Jews, or black monkeys live, but where they belong, on their own money...." Their maximum program is a slogan developed by hybridizing the texts of [folk songs] "Goralu, czy ci nie zal" ["Mountaineer, are you not grief stricken?"] and "Czerwone maki" ["Red Poppies"].

A similar level of program cogitation marks the anarchists (TERRORYSTA [Terrorist] [passage omitted] PSYCHOPATA [Psychopath]), which, for the sake of change, feeling their own freedom threatened, would reduce the state to zero. The anarchists move in a tight world of myths constructed of their own life traumas annotated by the golden thoughts of Kropotkin and Bakunin. In any case, myths are nonverifiable, for how can one prove that the state is not a gang of corrupt swaggerers exploiting the stupid masses? Or, what is more difficult, how can one not agree with the observation that the public is made up of thick-skinned riff-raff in whose company those who are sensitive and downtrodden under the flag of "anarchy, freedom, and love" find it hard to survive? In the publication LINIE, they urge: "Your life is school, boredom, shackles, cigarettes, Teleexpress, tomato soup, and work-home-work-home. With your friends, try to fight for what seems unattainable. Scream, if need be, or you will become shit. The oil of suppression."

Quite selectively since basically only with respect to the question of conscription into the army, that directive was taken up by the Freedom and Peace [WiP] organ, MAT PORIADKA [Mother of Order] (originally in Cyrillic). The editors, having a personal problem to solve: how to save themselves and their colleagues from the army, did not at the same time want themselves to be accused of extreme personal interests and therefore introduced subjects that have a potential of validity and universality. These may be the fate of prisoners of conscience in the USSR, or the origin of alternative movements. One problem always remains open: How to defend the country without going into the army. Unfortunately, one can't shoot from the papers of the WiP supporters.

An incentive for another group of *zina* authors is simple joy, proper to teenagers, in being different from adults who had to get involved in the systems. A young author may allow himself the luxury of not debating with the press or television. Quite the contrary. Nearly every brochure of the type the teenager in crazy papers (WYBORNY TRUP [The Splendid Corpse], ISKRA BOZA [Spark of God], DER SCHWAN [The Swan], ANTENA KRZYKU [Antenna for Screams]) might have found itself in the high-circulation press if unprintable words had been removed from the text, which in this way would frequently be reduced by half. The *zina* authors do not want a confrontation in the course of which their arguments, placed among hundreds of other views, would have to fade somewhat, and occasionally even be

discredited. The counterculture prefers legend or dissemination of conviction—indulged without mercy in any case—that while in the official press a mindless mafia of professional gabblers is turned out, somewhere in the provinces an unrecognized genius is xerographing a masterwork in which the public will recognize itself in a hundred years. This is the source of two manias of teenage authors: the mania of breaking away and the mania of deviance. The first is a kind habitual suspicion that all larger informal groups sully their ideals, which leads to notorious dissensions and creation of sects in order to dispute who is actually devoted to the cause, for example. The mania for deviance, on the other hand, depends on preferring texts that are at least somewhat unintelligible. The unintelligible is understood only by the initiates, and in this way, they know each other on the basis of what is understood. During reading of the *ziny* on artistic traits, a conviction is acquired that the editors can be easily astounded by sending them invocations from PAN TADEUSZ with transposed lines.

Sort of familiar, but deviant. These are a few of the most important orientations in the marketplace (?) of the *ziny*. But in addition, there are still the "graffiti artists," or "happeners," not to mention the splatters of the "Pomaranczowej Alternatywy" [Orange Alternative] and the newsletter TERROR SIDORAKA, about which in general nothing certain can be said. They all want to have something to say. At the moment they are marking time in the common waiting room. From there some will find their way to jail, others to political rostrums, and still others to editorial offices. And then we will begin to write on walls.

**Enterprises in Universal Privatization Program****15 Enterprises Named**

92EP0115A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 14 Nov 91 p 1

[Article by Ada Kostrz-Kostecka: "The First 15: The General Privatization Drive Is On"]

[Text] Finally the wait is over. Enterprises that passed through a succession of tests and found themselves first on the list of 400 candidates for commercialization and next on another version of that list naming only 200 entities, had recently begun to await ever more impatiently for further measures. The more so considering that many of these enterprises linked their inclusion in the nationwide privatization program to the hope for an acceleration of the privatization processes, which they had already initiated on their own.

On the recommendation of the minister of ownership transformation, Prime Minister Jan Krzysztof Bielecki signed the list of the first 15 state enterprises to be commercialized, that is, turned into one-person joint-stock companies of the State Treasury. This was announced on 13 November by the Government Press Office. Below is the list of the first 15 enterprises:

- Energomontaz-North Power Plant and Industrial Equipment Installation Enterprise in Warsaw
- Coal Industry Engineering Operations Enterprise in Katowice
- Railroad Maintenance Enterprise No. 7 in Warsaw
- Dehak Mining Equipment Plant in Myslowice
- Odra Tanning Works in Brzeg
- Bydgoszcz Refrigeration Equipment Plant in Bydgoszcz
- Prema-Befared Precision Industry Plant in Bielsko-Biala
- Pollena-Lechia Cosmetics Factory in Poznan
- Refrigeration Equipment Plant in Bochnia
- Glucholazy Reinforcement Rod Plant in Glucholazy
- Hydrobudowa-1 WPBHIF Hydrotechnical Construction Enterprise in Nowy Dwor Mazowiecki
- Pamotex Cotton Industry Plant in Pabianice
- Wigolen Linen Industry Plant in Czesochowa
- Poznan Construction Combine in Poznan
- Viscoplast Chemical Works in Wroclaw

Why was such a small group of enterprises selected to brave the exposure, and why was the decision so protracted?

In an interview with this RZECZPOSPOLITA reporter Minister of Ownership Transformation Janusz Lewandowski commented that the strategy adopted was that of gradual steps, this being also linked to the prime minister's desire to meet, at least initially, with the directors of the commercialized firms and get an insight into the situation and into the dominant mood. The prime minister will meet with the directors of the first 15 plants this coming Saturday. Another reason for the long wait was, according to the minister, the wish to refine the processing of the needed documents which had to be updated in some cases owing to the elapse of time. Moreover, after the parliamentary elections the climate for privatization became more benign.

What next? The next 15 companies are being prepared and, as announced by Minister Lewandowski, a decision is to be expected next week. The ministry is also trying to enlarge the subsequent groups of commercialized enterprises. But so far as the first 15 companies are concerned, after their rapid commercialization they will have to wait a little again, until the National Investment Fund is established, which should occur toward year end or early next year. In February that fund will be granted minority shares in enterprises-companies. In March and April majority blocks of shares will be transferred by means of an auction to the leading segments of the fund.

The enterprises selected for the List of 400 had to be big and, let us recall, perform either well or very well economically. They were selected during the first half of the year, and thus subsequently some of them had to be eliminated owing to their poor economic performance in the summer months. Well, time is also working to the disadvantage of the first 15 enterprises selected for the

nationwide privatization program, since some of them now seem doomed to a speedy bankruptcy. Below are two extreme examples:

- The Poznan Lechia has no problems selling its products, such as detergents (including IXI), soap, skin creams, including the well-known Nivea, and toothpaste, although the last month proved to be somewhat worse than in the past. In the first 10 months of this year, the firm scored a 16.7-percent profit, with its net profit being estimated at 25 billion zlotys [Z] and sales volume at Z419 billion. General Director Ryszard Jankowski expects the firm's inclusion in the privatization program to facilitate streamlining management, and the commercialization itself to result in more favorable financial conditions.
- The Pabianice Pamotex used to be a leading cotton industry plant. January 1990 was the last good month for it; its sales then totaled Z35 billion. In October, 1991 its volume of sales was Z20 billion, which is even less allowing for the inflation. Until mid-1991, this plant still operated at a profit, but in the third quarter it was in the red. The unprofitable exports of bedlinen sets to Germany and Scandinavia had to be abandoned. The plant's director traveled to Uzbekistan in order to negotiate bartering fabrics for raw cotton. At the plant, according to Bogdan Trawczynski, the deputy director for production and trade, costs have to be slashed, and above all production needs to be revived.

#### Financial Condition of '15'

92EP0115B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 15 Nov 91 p II

[Article by Ada Kostrz-Kostecka: "What Is the Status of the '15'? Nationwide Privatization"]

[Text] The first 15 enterprises have been selected, the prime minister has consented to their commercialization, and the Ministry of Ownership Transformation is already preparing the legal documents for converting them to one-person Treasury companies ["commercializing" them].

Basically, the choice of these 15 from a list of more than 200 enterprises was dictated by accident: It was simply that the paperwork for these firms was already complete and met the requirements. Thus, these 15 are neither the leaders among the candidates for the nationwide privatization program nor the "tail-end" followers. They simply represent the average, and thus their economic-financial situation exemplifies that of the entirety of the enterprises awaiting inclusion in the program. Consider the examples below:

- Energomontaz-North Power Plant and Industrial Equipment Installation Enterprise in Warsaw: According to Kazimierz Zukowski, its general director, this year its profits will reach 160 billion zlotys [Z], of which 25 percent net—that is provided that gross income this year will reach Z750 billion.

Although the plant's future is generally thought to be good, the director views its situation as difficult. That is because of the debtors who owe Energomontaz about Z150 billion by now. As a result, the firm has just enough to pay wages and offset its current operating expenses, but it has problems meeting its other payments, including those to the state budget. To be sure, the liabilities on its balance sheet are outweighed by assets.

The plant's biggest debtors are power plants, at which it performs most of its installation operations, which are the basis of its activities. Energomontaz employs 5,200 persons and operates at about 50 construction sites throughout the country. In addition, it engages in manufacturing pipeline segments, among other things, and performs various services.

The director also complained about the unequal treatment of state enterprises compared with private ones which pay lower taxes and do not labor under wage-control restraints. Since they can pay higher wages, they are competitors of a large firm such as Energomontaz.

At Energomontaz itself the personnel are interested in getting it privatized. The preparations began as far back as last year and, once it became possible to join the nationwide privatization program, the enterprise applied to join it, in the expectation that this would be a way of accelerating its own privatization.

At Energomontaz the personnel are hoping that their participation in the nationwide privatization program will help streamline management and open the door to contacts with foreign partners.

—Wigolen Linen Industry Plant in Czesochowa: By now it is a linen industry plant in name only, because it actually is manufacturing polypropylene fabrics for agriculture and traditional textiles for the garment industry, chiefly for the needs of the mining industry, and also sacking.

Wigolen's principal customer is the mining industry, once a great partner but now a source of problems for the plant since, having no money, it is not paying its debts to the plant. At present Wigolen is owed Z30 billion and, owing to lack of cash, is itself in arrears to the tune of Z4 billion.

Nevertheless, the enterprise's financial situation is good. At the end of October its sales volume was about Z100 billion, with profits amounting to Z12 billion and net profit verging at 15 percent.

Witold Kowalski, deputy director for economic and trade affairs, declared that the enterprise did not apply on its own initiative to join the nationwide privatization program, but that it realizes that the previous model of management of the economy and the enterprise has not proved itself and has to be replaced.

### Baltic Sea Oil Venture Discussed

PM1012094091 Gdansk GLOS WYBRZEZA in Polish  
30 Nov-1 Dec 91 pp 5, 7

[Interview with Jan Kurek, director general of Petrobaltic Enterprise for Exploration and Extraction of Oil and Gas Deposits, by correspondent Roman Kolicki; place and date not given]

[Text] [Kolicki] The gusher at the Karlin exploratory borehole caused a sensation throughout the country and stirred enormous appetites for "Polish oil." Until then, the fact that Poland had a drilling platform operating in the Baltic Sea to search for oil by sinking a number of exploratory boreholes—including one which confirmed the existence of oil-bearing deposits—was not treated seriously, and the general impression was that the less said about it, the better.

[Kurek] This state of affairs belongs to the past—a past terminated with the end of the Petrobaltic Joint Organization for Petroleum Exploration [WOPN], a Polish-Russian-German joint venture. I would suggest that we now concentrate on the present, which, it seems, is far more interesting.

[Kolicki] What, then, is the present situation?

[Kurek] The "birth" of the new venture took quite a long time. It all goes back to the initial launching of the enterprise at the end of 1989 and the beginning of 1990. From March 1990 we were able to start more vigorous operations. To begin with, Petrobaltic was envisaged as a single-partner company owned by the state treasury. After many complications, the company was transformed into a state enterprise at virtually the eleventh hour, that is, 30 November 1990. I say "at the eleventh hour" because, according to a clause defining the terms of the company's dissolution, unless a Polish company was set up for exploration and extraction of natural oil and gas deposits in the Baltic, from 1 December 1990 the Soviet side was entitled to buy out all WOPN's equipment (within the terms provided for the accounts settlement.) This is how the present state enterprise was set up. Having taken over (that is, bought) WOPN's assets, it began regular operations on 2 December 1991.

[Kolicki] What, then, comprises the assets of the Petrobaltic Enterprise for Exploration and Extraction of Oil and Gas Deposits?

[Kurek] The entire operational compound: the platform, the towing vessels with complete backup facilities section, the transshipment base, the service workshops, and the geological engineering section to carry out all the initial investigation of the sea bed before the platform is sited.

[Kolicki] Your company's name includes the word "Extraction." Is this just a "decorative" term to reflect your hopes for an unspecified future, or an expression of a firmly scheduled operational plan?

[Kurek] Previous investigation of the area and assessments carried out by experts have shown that Poland has two economically viable oil fields and three gas fields. For economic reasons, we expect to launch the gas extraction operations in the second stage of the proceedings. As regards the extraction of oil from the oil fields, we are virtually ready to start at any time.

[Kolicki] Does this mean that we will really extract our own Polish oil from the Baltic sea bed? Some years ago there was much talk about the lack of economic justification for such a venture, the fact that we had no extracting platforms, and so on. Are these reservations no longer valid?

[Kurek] Everything depends on what production policy we adopt and what technology we will have at our disposal. True, the one platform we do have is devised as a prospecting tool to carry out exploratory drillings, but it can also carry out extraction drilling and underwater site furnishing. If we add to this a not too costly technology to ensure both that environmental protection requirements are fully met and that we can move it to other sites when oil deposits are exhausted, then the question of regular oil extraction from our fields becomes entirely feasible. In any case, such technologies are already used elsewhere in the world. I am thinking of the so-called transfer buoy [*boja przelewowa*] system.

A "mother tanker" is positioned at the site, and the transfer buoy connected to it; the latter gathers all the underwater outlets from the extraction boreholes and transfers the oil coming up through them to the mother tanker above. Next, the oil is transshipped onto shuttle tankers and transported to the nearest refinery.

This method answers all the requirements we have set ourselves, from environmental protection considerations to the relatively low costs (compared with the stationary extraction platform system, for instance); it also ensures easy movement to another extraction site without additional costs (as would be the case if we were to install a pipeline system.)

[Kolicki] Nevertheless, even this highly economical technology requires considerable outlays....

[Kurek] These days even state enterprises must follow the rules of the free market. We also try to make a profit. Every section of our enterprise is, so to speak, self-financing: It must both earn its own keep and make a profit for the enterprise as a whole. To give you an example, six employees from our geological engineering section recently earned the enterprise profits in the order of a billion zlotys [Z] from certain radio geodesy jobs that they were commissioned to carry out. We have two towing vessels, one of which is currently working in the North Sea area; our base offers transloading services (which means that we also operate as a small transloading port; in this connection, we have dredged the port's fairway to enable ships with greater draft to dock with us), and so on.

All in all, thanks to our highly qualified work force and high quality equipment and technology, we are able to make money. In addition, we are currently thinking of opening credit lines. Finally, the question of assistance from the state budget. The principle itself cannot be challenged, of course, though its implementation can be tricky. For example, the company (already in its new status) financed the drilling of the first borehole from its own resources, spending Z30 billion on the project, whereas the budgetary allocation amounted to only Z5 billion. We are currently spending our own money again (an estimated Z20 billion) on drilling the second borehole, and we are waiting to see what proportion of the costs the state budget will cover. We are also keen to find out what the official policy will be on the question of dividends. We believe that all the factors I have mentioned so far should influence the state to change its "dividend policy" in respect of our company.

[Kolicki] But let us return to the subject of your plans for extracting oil from the Polish shelf on the Baltic seabed. What timetable do you envisage for your operations?

[Kurek] At the moment our oil rig is involved in sinking an exploratory borehole in the B-3 oil field north of Rozewie, which is our intended operational area. The results of the exploration will allow us to make a more precise assessment of the extent and distribution of the oil and gas deposits. These investigations should be completed by 15 December. Next we will carry out platform overhaul and servicing work, and then we plan to drill another exploratory borehole which should provide information on the dynamics of the deposits. Next will come a period of intensive preparatory operations before starting actual extraction. During that time the platform will most probably be "chartered out" in the North Sea area. We are carrying out vigorous marketing operations there now. Once the preparatory operations are completed and the entire extraction technology perfected, the platform will return to Polish waters and we can then start the program of operations—that is, actual extraction—according to a license that we purchased (following a tender) from the Ministry of Environmental Protection and Natural Resources.

[Kolicki] When do you expect this to happen?

[Kurek] Unless we are hindered by some unexpected circumstances, we should deliver the first supplies of oil from Poland's Baltic shelf to the Gdansk Refinery at the beginning of 1994.

[Kolicki] Could you tell us the estimated size of the oil deposits we will be working?

[Kurek] Certainly, in the first eight to 10 years we can produce at least three times as much oil as the combined yield of all the land-based plants worked by "Nafta Polska" [Polish Petroleum] throughout the country. This is not very much on a national scale, since it will amount to only 0.4 percent of the national requirement, but it will still bring calculable gains for the state treasury, and at the same time provide, as it were, a stepping stone to



the realization of a larger scale program, since the area in which we are currently prospecting offers reasonable chances of the discovery of further and much larger oil and gas deposits.

[Kolicki] Does this mean that there are no more attempts to liquidate Petrobaltic?

[Kurek] The company's present status, together with the fact that it has acquired the aforementioned extraction license from the ministry and at the same time provided the latter with the geological information obtained during exploratory investigation (such information constitutes state property) helped us to become a credible partner for many prestigious Western companies operating in the oil business. Following the promotional presentation which we held for our company in London—not just to inform the world of our existence but also to let our prospective partners know that we have now launched our operations and are carrying out specific tasks in this field—a number of internationally renowned companies initiated talks with us. For our part, we are learning the ropes in this business, assisted in this task by fellow Poles who live abroad and also by the Solidarity National Commission. I must also stress that our decisionmaking circles at home have also changed their attitude to our venture to one of positive encouragement. It was not so long ago that they insisted that Poland was not interested in the possibility that there might be a wealth of natural resources to be found in our section of the Baltic shelf and that Petrobaltic is a superfluous venture. Today Dr. Wilczynski, chief geologist at the Ministry of Environmental Protection and Natural Resources Geology Department, is pressing ahead with the implementation of a program involving not only the section of the Polish shelf for whose exploration and extraction we have already received the ministry license, but also the West Shelf, an area in which we have begun to conduct a most promising initial exploratory investigation. This could be a very long-term project indeed.

[Kolicki] Thank you for talking to us.

#### **Alcatel CIT Telecommunications Contract in Lodz**

92EP0104B Warsaw *RZECZPOSPOLITA* in Polish  
13 Nov 91 p 1

[Article by Wieslawa Mazur: "Alcatel CIT Telecommunications Contract in Lodz"]

[Text] Lodz will soon have 20,000 more subscribers. A contract for delivery of the telecommunications exchange, which will be installed in the region of Widzew, was signed with the French firm of Alcatel CIT. The contract is worth 26 million francs, of which 4 million "will remain in Poland," since both the mother-exchange and the so-called concentrators, located at four points in the city, will be installed by the Alcatel CIT-Poland affiliate.

The Polish Alcatel will train the team and be involved with the warranty and postwarranty service. The director of Alcatel CIT from Poznan, Bogdan Smigai, told *RZECZPOSPOLITA* that the exchange will be one of the most modern. If the subscriber buys a suitable telephone (this is not required since the system is compatible), he will know before lifting the receiver who is calling him, since the number of the person wishing to talk to him will appear on the display with which these devices are equipped. The director recalled that one of Alcatel CIT's exchanges is already operational in Poznan, that 3,000 subscribers are using it, and that next year 36,000 subscribers will use it.

The Paris affiliate of Alcatel CIT announced on 12 November that its firm specializing in the outfitting of the public telecommunications network is installing, combined with the Lodz agreement, 225,000 lines in Poland. The network has already extended beyond Poznan to such cities as Czestochowa, Legnica, and Tarnobrzeg.

#### **4 Industries Examined During Recession**

92EP0109B Warsaw *RZECZPOSPOLITA* (ECONOMY AND LAW supplement) in Polish 13 Nov 91 p IV

[Article by Wieslawa Przybylska-Kapuscinska: "Improvement Expected"]

[Text] Following a nine-month recession, the economic performance of enterprises was analyzed with the aid of a poll conducted in the third quarter of 1991 by the Institute of Economic Theories (now the Chair of Microeconomics at the Academy of Economics in Poznan). The poll points to a generally favorable change in economic performance. Among the enterprises belonging in the investigated four industries (electrical machinery, chemical, light, and food industries), despite the growth in uncertainty relating to the electoral campaign and its political and economic consequences, a fundamental improvement in the mood so far has been recorded, as ensuing from the relatively better economic performance achieved in the third quarter of this year.

This is resulting in signs of a revival, displayed by all the industries analyzed, including even those in which the level of difficulties has previously been particularly high. The reversal of the negative trends previously persisting in the economy is affording a new—and hopefully not to be wasted—opportunity for a turnaround in the economy. For the second time since their institutional transformation, enterprises exist in a situation in which rebounding from the bottom and entering the path of growth is a realistic prospect. To be sure, this time the start level is more difficult, since the recession was deeper than in 1990, but the experience gained so far in enterprise management under a market economy augurs a better future.

The higher promarket awareness of managerial personnel at present and the related manufacturing and



nonmanufacturing measures taken are affording a realistic possibility for improvement in the situation in various industries, unless the barriers of various "impossibles," often not dependent on enterprises nor due to them, once again nullify the chances for a turnabout.

The observed symptoms of a revival should be, despite the broad extent of their occurrence, explicitly differentiated in different domains. This is demonstrated by the course of the cyclic demand indicators (Diagrams 1 and 2) [not included here] and by the opinions on the anticipated economic performance in the fourth quarter of 1991 in the industries analyzed.

#### Electrical Machinery Industry

The signs of a revival appearing in the Polish processing industry have also been reflected in the evolution of the cyclic demand indicator, whose level, though still quite negative (- 22.0) is higher by one point compared with the second quarter of 1991 (Diagram 1).

As regards the general assessment of the economic situation, the percentage of negative appraisals increased (by another three points) compared with the forecast for the third quarter; hence also more than one-half of the enterprises polled view poorly their future in the fourth quarter of 1991. As for the supply situation, it does not disturb the enterprises, because the forecast is close to the relatively favorable assessments reported in the second quarter of this year, although the proportion of enterprises believing that access to material components of production will improve has dropped to 11 from 19 percent.

The proportion of companies reporting so-called hidden unemployment, as reflected in overstaffing compared with production needs, has remained the same in the third quarter as in the second quarter, that is, at 55 percent of the enterprises of this industry, which is higher than in any other of the industries analyzed here. Their forecasts of financial situation for the fourth quarter are less pessimistic, as reflected in the higher share of enterprises expecting no changes and in a five-point decline in the number of companies expecting a worsened financial condition. But, as before, a pessimistic picture of financial liquidity was reported by 61 percent of the respondents from that industry. The forecast of the marketing possibilities for the fourth quarter of 1991 appears credible, because, following a period when sales estimates proved to be highly exaggerated, in the subsequent past quarters the forecasts proved to be highly realistic and in the last two quite precise. This is undoubtedly due to the marked improvements in the market awareness of the enterprises of the electrical machinery industry.

For the fourth quarter an increase in sales is expected, because the proportion of enterprises expecting a decline in sales fell by as much as 11 points (to 30 percent), while the proportion of enterprises expecting an increase grew by four points (14 percent). A decline in orders is expected by 39.5 percent of the respondents, i.e., by

three percent fewer than in the third quarter of 1991. This means a slight decrease in the demand barrier. However, a comparison of extreme estimates of demand in relation to the past quarter is on the whole more unfavorable (the indicator was previously (- 31.0), but now it is (- 34.2)).

Since it was in a difficult situation last year, the electrical machinery industry attempted to alleviate the existing barriers, chiefly through measures other than investments (as many as 80 percent of the respondents). The enterprises found it preferable to take these measures given a weak financial condition and expensive and unfavorable terms of credit. Compared with the last quarter, the companies engaged in more active measures other than investing, with priority, as before, given to marketing activities (67.5 percent of the respondents), followed by the introduction of improved products (42 percent) and improvements in management techniques (38 percent).

#### Light Industry

This industry has long been worst off economically, but in the third quarter of 1991 it recorded for the first time signs of a slight improvement. Although the cyclic demand indicator is still highly negative, compared with the second quarter of 1991 it improved 50 percent to its present value of (- 14.4). The generally less pessimistic forecasts for this industry for the fourth quarter ensue from the slight improvement in economic performance during the third quarter of 1991.

Thus, the expectations of the light industry regarding the so-called first impression for the fourth quarter, that is, the general economic situation, are less pessimistic than its forecasts for the third quarter. Even now only a little more than one-third of the respondents expect a worsened performance, and moreover the percentage of companies expecting improvements in their general situation has increased by 13 points and now amounts to 19 percent. The proportion of enterprises viewing their supply situation as good remains at the level of 86 percent of the respondents. For the time being no improvements in managing the human factor can be seen; in this respect the proportion of the light industry enterprises reporting so-called hidden unemployment is the same as in the previous quarter (51 percent). The forecasts of the financial situation of the light industry are less pessimistic than they were for the second quarter of 1991. Fifty-five percent of the companies, i.e., 18 points fewer than previously, expect a worsening of their financial condition. At the same time, the proportion of the companies expecting improvements in liquidity has grown to 7.1 from 2.4 percent. This means on the whole a reduction in the financial barrier, which has been previously such a formidable one in the light industry. At the same time, the credibility and realism of the forecasts of the financial situation in the light industry have to be stressed, as confirmed by a comparison of its forecasts for the third quarter with its actual performance for that quarter.

Sales forecasts have been quite accurate for the last quarters; the discrepancies between actual and predicted sales have been quite low. For the fourth quarter the output forecast is optimistic, as the proportion of companies anticipating growth in sales predominates. The proportion of the enterprises expecting an increase in output has doubled to nearly one-third of the total, while only 14.5 percent of the respondents expect a decline in output.

Lack of skill in anticipating changes in demand is a characteristic feature of light industry enterprises. Their forecasts in this respect for the previous quarter proved to be not quite accurate. Once again pseudooptimism influenced the estimate of demand, while the reality proved to be decidedly worse, because the decline in orders was twice as great as anticipated.

In the third quarter of 1991 the percentage of the enterprises engaging in investing activities to improve their economic situation has doubled (21.4 percent). Activities other than investing were preferred, and as many as 77 percent of the respondents reported them, and in this respect light-industry companies rank second only to the companies of the electrical machinery industry. The most frequent noninvesting activities relate to marketing drives (63 percent of the respondents).

#### **Chemical Industry**

This industry has been operating under easier conditions than the two above industries. Nevertheless, while the recession was not as deep in this industry, the reported revival has been definitely weaker. The cyclic demand indicator continues to be negative (- 12.3), having improved by only 2.5 points compared with the second quarter (Diagram 2).

The forecast of the industry's general economic situation for the fourth quarter is more pessimistic than that for the third quarter, considering that as many as 40 percent of the enterprises expect a worsening of that situation. The estimates of the supply situation are positive, since about 94 percent of the respondents expect no difficulties in that respect, with only 6 percent expecting difficulties. The proportion of the enterprises reporting overemployment decreased slightly (by 3 percent) to 40 percent. Thus, some streamlining of employment in the chemical industry has been accomplished. Special apprehension about their financial situation have been expressed by 51 percent of the respondents, who expect its deterioration in the coming months. On the other hand, it should be emphasized that, compared with the forecast for the second quarter, the present forecast is somewhat less pessimistic: the comparable cyclic demand indicators were (- 54.1) and (- 51), respectively. The continuing growth of the demand barrier in the chemical industry, compared with the decline in that barrier in other industries, is due to the growing competition from private imports, and it warrants formulating

an extremely cautious output forecast. Yet, every fifth enterprise anticipates both a decline and an increase in output.

As in the second quarter of this year, the forecast of demand for the third quarter proved to be not quite accurate, because the demand fell by a factor of 3.5 times compared with the forecasts of the respondents (about 70 percent). For this reason, the optimism of the enterprises, considering that barely every fourth enterprise expects a decline in demand in the fourth quarter of this year, is incomprehensible. These manifestations of good feeling are unjustified considering the aforementioned growth in the intensity of the demand barrier and the continuing growth of competing private imports.

Chemical-industry enterprises have been trying to alleviate the constraints on their operations by undertaking investments (28.6 percent of the respondents), chiefly in modernization. At the same time, 74 percent of the companies reported a desire to engage in promotional activities other than investing, focusing chiefly on marketing (66 percent) and improved organizational and management techniques (42 percent).

#### **Food Industry**

Among the four industries analyzed the food industry exists in the most favorable situation generally; as a result, the recession has affected it less keenly in 1991. Hence also the momentum for its revival was greater in the third quarter of this year. At the same time, for that industry alone, the cyclic demand indicator in the third quarter was positive (+9.4) (Diagram 2). The forecast of the general economic situation of that industry for the fourth quarter is more optimistic than that predicted for the third. Every fourth enterprise expects a worsening of its situation, which means that pessimism among the respondents from this industry is only half as high as in the other industries. The food industry has a good and stabilized supply situation and the forecasts of that situation anticipate no problems (94 percent of the companies). Overemployment is only one-third as high as in the other industries, and it was reported by only 15 enterprises, which points to greatly advanced streamlining and ongoing elimination of so-called hidden unemployment (by 7 percent).

Food-industry enterprises are forecasting a continuing steady improvement in their financial situation, and hence the financial barrier for that industry is lower (about 40 percent) than for other industries. Every third enterprise expects a worsening of its financial possibilities, whereas in the other industries every second enterprise does.

The output forecasts for the fourth quarter are more optimistic than for the third. A decline in output is expected by 7.7 percent of the enterprises (previously 9.6 percent), but 25 percent continue to expect its increase. Noteworthy is the high accuracy of the output forecasts of the food industry. In face of a lower demand frequency barrier than in other industries, the demand

forecast for the fourth quarter of 1991 is more optimistic than that prepared for the third quarter. An increase in orders is expected by 26.4 percent of enterprises, while the proportion of enterprises expecting a decrease in demand is 13.2 percent (a 3.8-point decrease). Accurate forecasting of demand in the food industry is complicated by the continuing growth of private imports whose extent and dynamics are unknown to the enterprises; hence the difficulty the enterprises encounter in estimating their own sales possibilities.

The relatively better performance of the food industry has not in the least led to abandoning the exploration of ways of gaining a still better economic standing. Hence, the food industry devotes more effort to investing (nearly one-half of the respondents) than the other industries, on chiefly investing in modernization (40 percent). At the same time, 69 percent of the enterprises of that industry engaged in promotional activities other than investing, chiefly by introducing new or improved products (43 percent) and pursuing marketing drives (36 percent).

### Causes of Country's Dissolution Discussed

92BA0225A Sarajevo OSLOBODJENJE  
in Serbo-Croatian 28, 29, 30 Nov 91 p 2

[Article by Gojko Beric: "Dangerous Country"]

[Text] There are many answers to the question of when and why Yugoslavia as a state ceased to be possible. This enigma with many solutions is being dealt with by historians and writers, sociologists and politicians, psychiatrists, diplomats, and former intelligence officers. Many versions have been collected, from historical analyses to court intrigues. According to some, its self-destruction was caused by the historical syndrome of an "artificial creation," and for others, the cause of death is the virus of continual political conflicts between hegemomists and separatists, while those who find the causes of the collapse in the mental realm conclude that Serbian primitivism and Croatian Jesuitism cost Yugoslavia its life.

Some scholars claim that Yugoslavia fell apart at the moment that it arose, i.e., it was a mortal state from the beginning. It lived, and so it died.

That may be the case, since when a state does not have a people of its own, in this case a Yugoslav people, then anything is possible, even the fact that such a state exists today and does not exist tomorrow. The French may even war among themselves, but France will remain France.

At the end of the 1960's, when Ivo Vojvoda arrived in London as the new Yugoslav ambassador, the first thing that Anthony Eden asked him was what would happen to Yugoslavia after Tito's death. That question seemed absurd to Vojvoda. He recent told the author of this article, "Today I see that the English knew Yugoslavia better than we did ourselves."

This state, of course, did not collapse because Broz died. What the communist regime created and maintained for 50 years has today only received its unfortunate, but expected epilogue. The panicked rejection of the communist cloak, in which the most dedicated were those who themselves had come out from under Broz's overcoat, exposed conservative, neglected, and frustrated nations. Instead of a "new man," the utopian ideal of communism, what proved to be under the spotlights that had been turned on was a "new scoundrel"—a confused and corrupt individual unaccustomed to ideas, a parasite ready to consent to anything, and especially to suffering.

Faced with the fear of a final loss of power, the former party secretaries were the first ones to climb aboard the train whose last stop was the Nation, ardently propagandizing the new patriotism. Only the last dreamers and quasi-humanists still believe that the people are innocent in this whole matter, and that only the leaders are to blame. It is true that a new caste of political absolutists has been created, but by themselves they are only a lesser problem. Sick leaders are only a mirror of a sick society,

which yesterday bestowed its belief upon socialism, and today is consenting to fascism. Even if Milosevic and Tudjman, "two halves of the same soul," leave office soon, no one can swear that someone worse will not come to replace them.

Returning to their favorite prewar slogan about a "prison of peoples," which they used for mutual accusations in their acrimonious separation, the communists have worn out the idea of Yugoslavia, perhaps forever. Today, it is a country filled with hatred, dangerous to itself and to Europe. One can live on hatred for some time, but the future is grim.

Yugoslavia lasted as long as an average human life. That is not much for a state, but it is enough to forget both the good and bad experiences from living together. The saddest are those who declared themselves to be Yugoslavs during the last census. Their choice has become dangerous. If they survive, they will experience the fate of the Gypsies, the only ethnic minority without its own state. Millions of other people, however, are also suffering from nostalgia for the former Yugoslavia, whose borders were wide open, and which offered them civil peace and some sort of social security. Today they have war, human and economic disaster, and a future which does not promise anything good for anyone. The past will still last for a long time, since, unfortunately, it is better than the present.

Now everyone will live for himself. The Slovenes are leaving for Europe, without any sentiment at all for the state which saved them from Germanization. They are not even considering the fact that they perhaps contributed the most to Yugoslavia's becoming a European Lebanon. They will manage to cope somehow in Europe. But what about their inevitable suffering? The Slovenes, in fact, have to suffer; after all, they are sick. The Croats will also be unhappy if they are left without the Serbs, their hated enemy. How will the Serbs bear the fact that their state no longer extends from Triglav to Cevdijelija and from Timok to the Adriatic Sea? Can anyone foresee the fate of the melancholy Macedonians, surrounded by Albanians, Greeks, and Bulgarians? How will the Muslims of Bosnia-Herzegovina feel, squeezed between two worlds that are mortal enemies?

It now seems to everyone that everything bad will disappear if they separate, and if they have as little to do with each other as possible. A new "spiritual drink" has been poured into the cup of the Yugoslav peoples, with which they will still be "intoxicated" for a long time, and from which they will suffer even longer.

### Stormy Debates at SDA Congress in Sarajevo

92BA0224B Belgrade POLITIKA in Serbo-Croatian  
2 Dec 91 p 5

[Article by Muharem Duric: "Abdic's Criticisms of Izetbegovic"]

[Text] Sarajevo, 1 Dec—During the three-day congress, the scenes in the large hall of Skenderija, in many



respects, resembled previous similar gatherings from a certain different, recent, and still unforgotten time in Bosnia—a plenum, work in commissions, and limited discussion. Factional struggles within that party, which, like others in Bosnia-Herzegovina, stresses in its name that it is democratic, could be sensed or were even openly displayed.

The first stumbling blocks, however, arose precisely in connection with that word, “democracy,” which is a magical and unreachable one for Bosnia. From all indications, the two most respected people in the local Muslim homeland are Fikret Abdic and Alija Izetbegovic. As the leader, Izetbegovic appeared to deliver the opening statement, or, as he called it, the report. While he was entering the Skenderija hall and going behind the podium, all of those present stood, and in that way, once again familiar from previous times, showed their respect. Many people looked suspiciously at those who remained seated, while Alija Izetbegovic himself did not ask the delegates and guests not to stand anymore.

Alija Izetbegovic is the President of the Presidency of Bosnia-Herzegovina, and the president of the SDA [Democratic Action Party]. Nevertheless, as observed today, on the final day of the congress, by another person, who is also prominent and is also a victim of past times, “Alija is not everything.”

#### “Directly Detrimental to Muslims”

This was uttered precisely by Fikret Abdic. Abdic did not speak at the congress today for the first time. He also did so yesterday. He interrupted the silence. Otherwise, in his public statements to date he has been oriented primarily toward the economy and his Agrokomerc. It was under the condition that this would be his main concern that he agreed to be a member of the Presidency of Bosnia-Herzegovina. Now, however, Abdic is also speaking out about politics. What he says, naturally, cannot be ignored. This was also realized by those who were now, like [word illegible], trying to muffle Abdic at this congress. He said that so far, for the sake of the Muslim people, he had kept silent about many things, but when he wanted to speak yesterday he was interrupted. The same thing happened today, on the third day of the congress.

Nevertheless, as the man who won the most votes in Bosnia in the last elections—and this he did not keep silent about, either—he had serious criticisms. The main thing that came out of these remarks is contained in the sentence, “Alija cannot be everything.” With respect to that personnel policy, Fikret Abdic obviously could not reconcile himself to those measures which were directly detrimental to the Muslim people, and so, among other things, he also spoke out about the firm family ties within the SDA bodies.

When Alija Izetbegovic’s junior colleagues mostly spoke at the press conference yesterday, in response to one of

the questions about unity in the ranks of this party, they recreated the atmosphere from previous congresses in this Skenderija.

Thus, the current Minister of Foreign Affairs, Dr. Haris Silajdzic, perhaps unconsciously, in his answer to one question, irresistibly recalled a certain communist leader in similar circumstances, namely Branko Mikulic. Specifically, Silajdzic felt that in the SDA there was “absolute unity” in the party. Judging by Fikret Abdic’s replies, however, there is no agreement on many issues that affect Bosnia. Among other things, Fikret Abdic was criticized on several occasions for having been a communist—even this afternoon, when a discussion flared up at the conclusion of the congress.

Abdic, naturally, did not turn the other cheek. Among other things, he said, “I am a former communist, and I am proud of my biography.” Furthermore, he called attention to the fact that many other communists had now turned to this Muslim party. He recalled, however, that they were the ones who had also destroyed his Agrokomerc, and lorded it over everything.

“I,” Abdic said, “have given a public pardon. But,” he called upon the participants in the congress, “do not wreck Bosnia.”

#### There Are Also Conflicts in the Party

If one can judge by those Muslim leaders who energetically opposed Abdic, then the former communist in the SDA is opposed most of all by that clericalist faction which has also manifested itself before in the SDA. Among its prominent proponents is, for example, Omer Behmen, but likewise Irfan Ajanovic, who is years younger, and also Muhamed Cengic. Fikret Abdic passionately defended his positions, and he did have solid arguments. He emphasized that he was speaking in the name of the principle of democracy, and reminded people that it was necessary to work in the interest of Bosnia. It was precisely in connection with this that some delegates criticized him for not having taken a position on Bosnia’s sovereignty. Abdic obviously views many issues differently, and with respect to what is now being insisted upon in the SDA, he says, “Don’t do it.”

Abdic also thinks that in some important matters one must not work against the Muslim people, but also not against the other peoples and nationalities in Bosnia-Herzegovina. He spoke bluntly when he said that the Muslim people did not deserve the kind of leadership that the SDA had. One of the main warnings emphasized by Fikret Abdic was that the SDA should not be misused for personal interests, as was being done by Alija Izetbegovic and those who were inducing him to do so.

The first SDA congress also brought to light many disagreements. At the congress a conflict was also observed among the key people in many important ministries, such as, for example, the Ministry of Internal Affairs, which is held by the SDA. Avdo Hebib, the former Assistant Minister of Internal Affairs, has just

been replaced, although some people think that Minister of Internal Affairs Alija Delimustafic should have left.

At the end of the congress, a vote was held. Alija Izetbegovic personally requested that there be opposing candidates, attempting in this way to refute what he had been most criticized for—a lack of democracy. It was also emphasized that he personally rejected a proposal that he be president for life. It was stressed that the SDA did not have a pharaoh.

### **Paraga Arrest Protests Continue in Zagreb**

92BA0224A Belgrade POLITIKA in Serbo-Croatian  
2 Dec 91 p 1

[Article by R. Arsenic: "Protests Continue in Zagreb"—first paragraph is POLITIKA introduction]

[Text] Although the meeting in Ban Jelacic Square was banned, several hundred "Rightists" nevertheless managed to gather and direct new accusations at President Tudjman and his authority; the center of Zagreb has been surrounded by strong forces from the MUP [Ministry of Internal Affairs] and the ZNG [National Guard Corps] military police

Zagreb, 1 Dec—Today Zagreb's central square is still surrounded by strong forces consisting of members of the ZNG [National Guard Corps] and the Croatian Ministry of Internal Affairs, and all of the access roads have been blocked by ramps and police vehicles. Even today, large masses of people cannot reach Ban Jelacic Square. Particularly strong forces have been posted on Praska Street, at the beginning of Zrinjavac, at the other end of which is the headquarters of the Croatian Rights Party [HSP] and its Army, the Croatian Armed Forces [HOS]. All traffic toward the center of Zagreb has been blocked.

All of this was done because of the announcement of a party protest meeting in Zagreb's main square, which was banned by the official authorities. Nevertheless, several hundred HSP members and sympathizers still made their way through to the square, and sometime after 1200, began a protest meeting—without a public-address system but in the presence of numerous television crews and journalists.

This time the basic content of the meeting was a demand for the release from jail of that party's president, Dobroslav Paraga (who was said to be continuing a hunger strike), but once again very serious accusations were made at the expense of President Tudjman, and verbal slogans against Tudjman were also voiced. Paraga's assistant, Milan Vukovic (for whom the public prosecutor's office also suggested jail, but who is still at large), accused Tudjman of having "signed up for a confederation" in Geneva, and deceiving the people into thinking that Croatia would be an independent state.

The "Rightist" speakers, who continue to succeed each other, accused Tudjman, among other things, of having been an officer of KOS [military counterintelligence] for

30 years, and now inventing that for "Croatia's most loyal son, Paraga." The stormiest applause was received by a speaker who recalled the HSP's main goal—"an Independent State of Croatia in its ethnic and historical borders, up to Zemun, Herceg-Bosna, and Boka Kotorska."

This time, at the "Rightist" protest meeting not a single one of their members could be observed in the HOS uniform. Likewise, among those walking in the Square there was not a single member of the ZNG in uniform, because the police in the access roads, as we learned, were not allowing them to go to Ban Jelacic Square.

### **Judicial System in Autonomous Regions Established**

92BA0224C Belgrade POLITIKA in Serbo-Croatian  
2 Dec 91 p 5

[Article by M. Pantovic: "Judicial System Being Established in the Liberated Territories"—first paragraph is POLITIKA introduction]

[Text] The Krajina SAO [Serbian Autonomous Region] is building a law-governed state within the framework of Yugoslavia, and so the judicial system will also be independent.

Vrginmost, December—Ensuring peace, order, and respect for the law, in addition to the struggle for freedom, are the main tasks in the free territory of the Krajina SAO. In building a state authority, it has also been necessary to establish judicial authority in the liberated territories, and that job was completed a few days ago by the meeting of the Krajina SAO Assembly at which judicial bodies were appointed.

We took advantage of an appearance on the Serbian radio program "Voice of Petrova Gora" by Uros Funduk, the newly elected president of the Krajina SAO Supreme Court, to find out something more about this.

"The war conditions are bringing a particular type of crime (robbers, fences, etc.)," Uros Funduk stated. "Unfortunately, such occurrences exist, but from today onward, literally, such people will be brought to trial, because one cannot do whatever one wants. That devalues everything that the Serbian people are fighting for, and we cannot allow that. Now that we have opstina district courts and the Supreme Court, it will be easier for us to deal with everyone like that. Order and respect for the law have to accompany the just struggle. We have both the buildings and the necessary people for this. Our buildings have not been destroyed (except for Petrinja), and as far as personnel are concerned, with the influx of refugees from Croatia and the personnel who remained on the Serbian territories, we have enough people to start with, both those we included in the trial process and those in the technical services. Naturally, we need experienced personnel, but that has always been a problem in the judicial system," Uros Funduk stated.

In response to a question about what would happen with court cases started before the uprising of the Serbs, the president of the Krajina SAO Supreme Court answered:

"All of those cases will be finished before the courts of the Krajina SAO, either before the opstina courts or before the district courts of Banija and Kordun, Lika, and Dalmatia. Those cases which were previously sent to higher courts in Croatia will be returned as completed, or will be returned for retrial. As far as cooperation with the Croatian judicial authorities is concerned, that will be settled in accordance with the principle of reciprocity (serving a sentence on their territory or ours), and if they claim to be a law-governed state, they will accept agreements on that basis," stated Uros Funduk, the president of the Krajina SAO Supreme Court.

In conclusion, let us state that since the Krajina SAO is building a lawful and law-governed state within the framework of Yugoslavia, the financing of its judicial system will be done through the budget of the SAO Krajina, and will not be subject to any influence whatsoever from the local authorities.

### **Dangers of Croatian Chemicals Industry Destruction**

92BA0227A Zagreb DANAS in Serbo-Croatian  
19 Nov 91 pp 24-25

[Article by Damir Margetic: "When Fire Destroys Water"—first paragraph is DANAS introduction]

[Text] The destruction of the Croatian chemicals industry could claim more lives than the wartime killing itself. Protective measures were prepared a year ago, and Kutina reduced its reserves of ammonia 50 times over.

Among the number of threats directed at Croatia almost every day by the conquering army, a great deal of the public's attention has been drawn to stories of chemical and biological weapons that the YPA [Yugoslav People's Army] is using or simply intends to use. Alarming reports have come in about the dropping of mysterious cobwebs from airplanes, about the use of chemical warfare agents, and about ecological catastrophes resulting from the bombing; the culmination of all this was the arrival on 8 November of a joint "announcement" from the JRZ [expansion not given] and PO [Propaganda Department] Command, the ABHO [nuclear-biological-chemical defense] administration, and the medical corps of the FSND [Federal Secretariat for National Defense] about a "possible catastrophe of unprecedented proportions" in the event of an attack by the Croatian Army on YPA missile bases.

The artificial cobweb was first noticed in August, and it provoked mass psychosis sometime around the beginning of November, but analyses have shown that it is not poisonous or harmful to one's health. It has not been firmly established who produced it and what purpose it

serves, but it is assumed that the JRV [Yugoslav Air Force] uses it to interfere with radar and radio communication.

### **CIA Does Not Mention Them**

A propaganda war has been under way for some time now concerning chemical warfare agents (Belgrade newspapers are circulating the story that the "Ustashi" are using chemical warfare on the Banija battlefield). Croatia should be extremely careful in this propaganda struggle, because recently a position on the western Slavonian front was nearly lost for no reason after a group of guardists left the battlefield for fear of chemical weapons, thanks to a false report on Croatian Radio.

It is a fact that the YA [Yugoslav Army] has chemical warfare agents in its possession, but the quantity is not such that it could use them for major "combat operations." The chemical agents in question are nerve gases (which are among the most poisonous), "sarin" and two VX derivatives that are synthesized at the Military-Technical Institute plant in Mostar. The poisons are being produced as part of a "pilot plan," meaning in small quantities for experiments, around 250 kg a year, which is the so-called permitted activity. Worldwide, less than 1,000 kg a year is not considered enough to conduct a chemical war, while the YA has several hundred kilograms. Every year, the CIA presents reports on who potentially possesses chemical weapons, and thus far Yugoslavia has not been mentioned. In addition, it must be remembered that the use of chemical weapons is extremely compromising to whoever uses them in terms of international public opinion, and that even the YPA cannot allow itself to be accused of violating the Geneva Convention for the sake of a small number of poisoned "Ustashi."

Nevertheless, back in 1979 the YPA conducted an experiment during which chemical warfare agents were fired from multibarrel rocket launchers so that it would have this option available to it, in addition to the possibility of aerial bombing. Nerve gas is used primarily on the front for offensive and defensive purposes, but the quantity that the YPA has cannot be used for major operations. Still, they are enough, say, to kill several tens of thousands of people in densely populated areas such as Zagreb.

According to data from the commander of the toxicological service of the Main Medical Corps Staff, Dr. Franjo Plavsic, it is not completely certain that either nerve gas or vesicants have been used thus far, but it is known that tear gas has been used. Hand grenades and shells containing three types of tear gas have been found, mostly in Vinkovci, Vukovar, Split, Pokupsko, and Novska. But tear gas (like the CS that the YPA has) is generally not regarded as a real chemical warfare agent; it has a short-term effect for the purpose of momentary incapacitation, and every police force in the world has it on hand. Outside, its effects wear off in 10 minutes, but in a closed space it can have a seriously toxic effect. It is

known, for example, that the Americans suffocated Vietnamese people by blowing CS into their underground trenches.

Only three countries in the world today have a well-organized system for defending the civilian population against chemical warfare—Israel, Switzerland, and Sweden. Detailed instructions on how to react in the event of danger from poisonous gas have already been provided in our press and on television, so that here we will only remind people that handkerchiefs soaked in water or sodium bicarbonate are helpful when real chemical warfare agents are not involved. Thus, the threat of chemical warfare should not be exaggerated, and something similar to what happened to the Slovenes could also happen to us: Out of fear that the YPA would poison them, 250,000 gas masks were purchased in Poland, which proved to be a waste of money. Now they are allegedly trying to sell them to Croatia.

The threat to blow up missile bases is potentially much more serious. What this actually involves is the base and stockpile at Kerestinac (the other two bases in Zazina and Zagorje are almost insignificant), where around 170 missiles (which have already been written about in detail), 25,000 liters of missile fuel ("Tonka" code, an import from the USSR), and 70,000 liters of oxidant (an agent that is mixed with fuel to add oxygen) are stored. The "Tonka" fuel contains amines, organic substances with nitrogen in their molecules whose fumes are very poisonous—they affect the hemoglobin and cause other biochemical disturbances, are carcinogenic, and have lasting effects. A particular problem is that decontaminating poisoned areas is very complicated, so that any contamination would be of long duration.

#### Threat to Belgrade

Oxidant contains nitric acid, which easily penetrates the soil, and if all of it from the stockpile made it into the ground, the groundwater in the Kerestinac area would be ruined. If the oxidant were spilled, a 15-tonne cloud of nitric oxide would form that would destroy all life in Kerestinac.

Still, the danger of ecological catastrophe is greater than that of mass poisoning. Specifically, if "Tonka" were to leak into the Sava, it would "travel" as far as Belgrade, since amines are lighter than water. It is hard to believe that FSND experts do not know this, so that the "announcement" is probably most of all an attempt to heighten its role in negotiations with Croatia.

Although the thought of the destruction of missile bases in the vicinity of Zagreb sends chills up the spine, experts feel that a worse fate would await both man and the environment in the event of a chemical catastrophe. The chemicals industry, with its installations and stockpiles, and in fact every industrial reservoir with chemicals, represent the greatest potential danger to their environment. Aware of the fact that the destruction of the Croatian chemicals industry could claim more lives than the wartime killing itself, defensive measures were taken

by the toxicological service of the Main Medical Corps Staff a year ago. A simulation of possible events during and after the war was conducted, and everything was done to keep the victims of chemical weapons to a minimum.

One of the most important measures was to reduce the reserves of raw materials, so that Kutina, for example, has reduced its reserves of ammonia 50 times over. Thus far, the bombing has led to the destruction of, among other things, the synthetic fertilizer plant in Kutina, Poliplast and TLM in Sibenik, Saponija in Osijek, oil and natural gas deposits in Djeletovci, the petroleum terminals in Sibenik and Zadar, petroleum reserves in Karlovac, and gasoline pumps in many places. Nevertheless, thanks to the preparations, major ecological catastrophes have been avoided, except for the bombing of the refinery in Sisak.

Thus far, the Sisak refinery has been the target of fierce attacks by the Serbian Army on four occasions. The first major damage occurred on 7 October, when pipelines and the pumping station at "Processing 2" were hit, which resulting in the discharge into the Sava of several dozen tonnes of derivate containing carcinogenic polycyclic aromatic hydrocarbons. The second incident of devastation occurred on 18 October, when a large quantity of crude oil was released, in addition to derivate. There was renewed bombing on 4 November, and the latest incident was last Thursday, when the biggest fire thus far broke out, which was not extinguished until the next day (once again, a large quantity of petroleum was discharged into the Sava). The material damage can be easily determined, but the ecological damage will be hard to study, because there is no exact method for investigating it, and the consequences will not be seen immediately.

All the major chemicals industries in Croatia (except for DINA) are located on the Sava or in its basin. Every incident involving the discharge of chemicals will be felt most of all by those who use water from the Sava, especially those who drink it, such as Belgrade, which gets the majority of its drinking water from treatment plants on the Sava. Because of the oil slicks some 20 km long that arrived at Belgrade from Sisak, water lines were shut off last week, but since they have large reservoirs they did not experience a shortage. But there are chemicals, including very toxic ones, that are difficult to detect in water. If, for example, there were a discharge of "Tonka," this would probably not be noticed in Belgrade, but its poison could have consequences for citizens there (e.g., an increase in the number of people becoming sick from carcinogens).

The aforementioned examples indicate that a new stage has emerged in the war against Croatia—the threat of ecocide, or rather the military destruction of the Croatian ecosystem. Thus, we must add ecological terrorism to the long list of crimes committed thus far—an invention "promoted" by the Iraqi Army during the Gulf war. Wartime ecocide was in fact first carried out



by the Americans when they destroyed the Vietnamese jungle, but this was just a "by-product." The main goal was to uncover the Vietcong's roads.

The threat of ecocide and its implementation as part of military strategy was first used by Saddam Husayn, who appears to have found worthy successors in the General Staff of the YPA, and—who knows?—perhaps even teachers as well. Specifically, it must be remembered that not that long ago the SFRY and Iraq were cooperating in an exchange of know-how and technology for the production of chemical weapons, and that for years Iraqi officers were trained at Yugoslav military schools.

#### Opportunity for Ecologists

Croatia is, unfortunately in the worst way, a reminder of what it means to depend on the large energy systems that have been forced on us for years. The people of Dubrovnik would in any event have an easier time with the end of all their misfortunes if, like the Israelis, they had photovoltaic systems in their homes that could produce electricity for them, or desalination equipment so that they could have drinking water. The fact that water, electricity, and heating have always been a target of conquerors is an indication of the need to decentralize clumsy energy systems and convert to alternative sources of energy. In this way, ecologists finally have the opportunity for someone to listen to them seriously. "Green Action" in Zagreb recently launched a project set in motion by an assessment of the ecological damage of war, while the Society for the Promotion of the Quality of Life, together with a number of international nongovernmental organizations, is participating in the "Conscience Fund" project, which, besides studying the causes of ecocide, should make it possible for immediate help to be offered. It even appears that different thinking is going on in government bodies, because the Ministry for Environmental Protection recently launched an initiative under which Croatia will already begin preparing its scientific potential for renovation of the land.

It is assumed that consideration will be given to the most rational approach possible to energy and natural resources, that future investments will be used to redirect the economy towards clean and low-waste production and high-value products, and that European ecological standards will be introduced. In this regard, the ministry has committed itself to initiating cooperation with corresponding professional associations.

[Box, p 25]

#### Cheap Sensationalism

Some of the fuel for missile propulsion systems is in fact poisonous, but thus far the FSND is not worried by the fact that people who have worked with them have lost their hair and teeth.

Wondering whether Croatia could be subjected to the worst damage to the human environment due to the activities of war, such as the so-called nuclear winter, or

whether the latest techniques of warfare with biological and toxic weapons will be used, clearly lies within the domain of the fantastic and of cheap sensationalism.

The latest warning by the FSND about the great danger in the event of an attempt to occupy missile bases due to the large quantity of toxic missile fuel, as well as certain concrete research (the base in Kerestinac, near Zagreb) are like two sides of the same story. This is a petty attempt to raise the cost of withdrawal and create a psychosis of looming catastrophe. Some of the fuel for missile propulsion systems is in fact poisonous, and the fact that those who have handled it in the YPA over the past 30 years have regularly lost their hair, teeth, and so on because of this does not concern the responsible authorities in the FSND. The situation has been similar in other places in the Army structure as well, for example at so-called battery stations where acid has seriously and thoroughly corroded the internal organs of citizens employed by the YPA, and even of soldiers who lived there only for a very short time. Since there are no longer that many dangerous missile bases in Croatia, we are inclined to consider this threat insignificant. We see a greater danger in the crash of an airplane that has been shot down, with full weaponry and fuel tanks, in a densely populated area. And an even greater danger is implicit in major military fuel depots of the underground and above-ground type (Volinja, Licka Kaldрма), from which uncontrolled leakage could pollute the soil and groundwater. Large ammunition depots could be dangerous to the immediate environment if they were to explode. In their own way, leftover weaponry and unexploded ammunition are a source of significant danger to the environment long after the end of the war. One drastic aspect of this danger is that of mined zones and structures, for which it is sometimes necessary to seek assistance abroad in order to clear the mines. There are known cases of chemical detonators on certain sensitive underground military structures where it is necessary to find the appropriate chemical substance which deactivates these detonators, like an antidote.

Wartime operations cause especially major damage when they disrupt the biological cycle in the fields and in the raising of domestic animals. Included here is the destruction of forests through intentional fires and through fires caused by ammunition explosions, as has been the case in Dubrovnik.

The problems that have emerged because of the large number of unburied animal and human bodies are cleared up in the usual way, and the epidemiological picture in the area affected by war is not noticeably disturbed.

But the upstream parts of Dalmatian river basins are under enemy control, and it is possible that these waters will be poisoned. Another possible threat is the destruction of the dam on the Cetina, a change in the water level, and in the basins of other rivers there is also the threat of diverting water through discharge canals. A very significant ecological danger is presented by the

intentional or unintentional sinking of tankers carrying crude or processed oil. Indeed, any sinking of ships, regardless of their cargo, is dangerous to the very sensitive maritime ecological system. The throwing of ammunition, weapons, and equipment into the sea in shallow waters is also one of the ways in which the maritime ecosystem is threatened.

Since war is a form of anthropogenic menace that is primarily oriented towards effecting a change in the enemy's behavior, these psychological, physical, and all other effects of war on people are clearly part of this most expensive form of ecological damage and consequences of war.

### Measures To Fight Hyperinflation in Croatia

92BA0227B Zagreb VJESNIK in Serbo-Croatian  
6 Dec 91 p 5

[Unattributed article: "Introductory Report by Jurica Pavelic; Struggle Against Hyperinflation"—first paragraph is VJESNIK introduction]

[Text] Reducing personal consumption, increasing production and exports, providing for refugees and the unemployed, not causing hyperinflation, and not burning bridges to a market economy—this is the ultimate message of the new vice prime minister, Jurica Pavelic.

Addressing members of the Assembly for the first time in his new post, Vice Prime Minister Jurica Pavelic discussed the current state of the economy and basic indicators of economic policy measures at the transition point between 1991 and 1992.

The vice prime minister said that the most important thing to emphasize right now is that the EC Council of Ministers has excepted the Republic of Croatia, Slovenia, Bosnia-Herzegovina, and Macedonia from the sanctions applied against Yugoslavia in Rome. The punitive measures of the Twelve no longer apply to those republics. If the Rome declaration had remained in force, the effects on the Republic of Croatia would have amounted to a reduction in exports of some \$552 million, which represents 34 percent of commodity exports to the EC and EFTA in 1990, or 18 percent of the total commodity exports of the Republic of Croatia. This would mean the total paralyzation of exports by the Republic of Croatia. Noting that 59 percent of the republic's territory is caught up in armed conflict, an area where 60 percent of Croatia's population lives, and that the area that has suffered major wartime destruction comprises 30 percent of the area of Croatia, with 25 percent of its total population, Jurica Pavelic said that the current assessment of wartime destruction amounts to around \$17.5 billion in damage. Unfortunately, this assessment is not final, because the destruction is continuing and a large part of the indirect damage has not yet been ascertained, especially that relating to the killing and wounding of more than 20,000 people and the flight of more than 500,000 refugees.

### Industrial Production 30 Percent Lower

The war being waged against Croatia has resulted in a pronounced economic decline that is reflected in the fact that industrial production will be around 30 percent lower than in 1990, that the number of people employed has dropped by 220,000, that retail prices in December of this year are 230 percent higher than in December of last year while average growth for the entire year amounts to 118 percent, that total paid personal income is around 50 percent less in real terms, and that exports will be around 25 percent less on the average annual and December level. Pavelic also reported that the number of nights spent by foreign tourists during the first 10 months of this year reached a level of only 10 percent of the figure from the same period last year, which has reduced the influx of foreign exchange from tourism by at least \$2 billion.

### War Economy

Jurica Pavelic said that the government of the Republic of Croatia is working on an economic policy for Croatia for the transition period from 1991 to 1992 with identifiable measures whose effects should be felt as early as the beginning of 1992, but that it is doing so during a time when it is waging a defensive war, making efforts to gain recognition for its international status, and abandoning the socialist system, and that it is also working on an extremely difficult economic situation. In formulating this policy and these measures, the government is assuming that the widescale war operations will end by Christmas. However, the economy will not be essentially changed by a cease-fire, so that the entire coming year will be marked by the specific characteristics of a wartime economy. The assessment is that there is no need to introduce the concept of a wartime economy in the broadest sense, except in individual, limited segments. In determining the modalities for engaging in economic activity, efforts are being made to satisfy demands in terms of avoiding hyperinflation, not threatening the subsistence level, distributing the costs of war in a socially and economically more uniform manner, and upholding market criteria and mechanisms for economic stimulation to the maximum extent possible. In so doing, it must be assumed that the current "wartime imbalances" are simply multiplied forms of the existing "peacetime" imbalances, which could be lessened by undertaking selective measures of fiscal and income policy in combination with a policy on prices of products and services in the public sector. These measures would make it possible to distribute more evenly the increased inflationary tax bill, and would also alleviate the escalation of the budget deficit and of losses in the banking system, which could transform the short-term acceleration of inflation into long-term hyperinflation (the increase in prices in October amounts to 24.1 percent).

In addition to the latest overall data on the state of the economy, Jurica Pavelic also noted that there is an acceleration in the dynamics of the decline in the social product in the overall economy, which during the third

quarter was around 27 percent lower than in 1990, while there is also a significant dropoff in labor productivity, which was around 23 percent less in September than it was in July. The budget deficit has reached a level of 38 billion dinars, which represents 10 percent of the social product. In his words, monetary independence as a transition to a separate currency has been postponed until the end of the year, because under the objectively highly unfavorable conditions (which already tend towards hyperinflation) this would diminish positive effects and heighten negative ones, the result of which would be a very unstable separate currency and a slowdown in the already difficult process of postwar reconstruction.

#### **Reprogramming of Debts and Postponement of Interest Payments**

Jurica Pavelic provided very brief indications of the measures that the government is undertaking or will be undertaking in individual areas. With regard to the frightening projection of the deficit at as high as \$2 billion in 1992, it is necessary to obtain from the government-creditors in the so-called Paris Club a reprogramming of debts, which in 1992 will reach a level of around \$500 million, to obtain from foreign commercial banks a postponement of interest payments amounting to \$80 million, and to secure a certain amount of commodity credits for the import of raw materials and semifinished products and equipment, while it is also necessary to prepare for membership in the IMF [International Monetary Fund], the IBRD [International Bank for Reconstruction and Development], and other international financial organizations. A loan to reconstruct the country through bonds, about which the government has issued a decree, would ensure around \$300 to \$400 million, and around \$300 million would be come from the net influx of foreign exchange from the population through the sale of government-owned housing. An effort is also being made to secure nonrepayable grants from the EC or individual countries in the form of cash, the financing of commodity imports, and humanitarian aid amounting to around \$400 million.

In the area of production, it is possible and necessary to ensure growth of 6 percent in every quarter of 1992 relative to the preceding quarter. Special measures will encourage production necessary for defense, production geared towards exports, production to replace imports, and production through which the population will be involved in rebuilding destroyed property. Because of the need to revitalize economic functions and social life, and to overcome damage and rebuild structures destroyed and damaged by the war, the government has adopted a decision to introduce labor obligations. The current circumstances demand a general mobilization of every citizen of the Republic of Croatia in its defense, some with weapons in their hands, and others in order to perform labor tasks. According to Pavelic, one especially important segment is agricultural production, where the old mechanisms of stimulation are particularly well entrenched.

#### **Stimulation of Exports**

In the area of foreign trade, an effort will be made to introduce direct measures to stimulate exports, while in foreign exchange policy one of the priority tasks is to ensure the continued functioning of the foreign exchange market, whereby the critical role must be played by dinar exchange-rate policy, in that it be established on the foreign exchange market in accordance with the supply of and demand for foreign exchange and with economic policy. In order to remedy the collapse in the execution of the proportion of the balance of payments, consideration is being given to undertaking temporary, direct measures, such as introducing a mandatory advance deposit of dinar collateral to pay for imports, the introduction of mandatory payment for current transactions with foreign countries, depending on the realized foreign exchange inflow, and the introduction of the requirement that part of the foreign exchange inflow from the export of goods and services and from currency-exchange transactions be earmarked for certain needs on the republican level.

In public income and spending policy, where a large deficit is reported, the measures essentially consist of revising and reducing the rights of all beneficiaries of the republican budget, deferring obligations on foreign exchange savings deposits and converting them into public debt, introducing new taxes or raising the existing ones, for example on the sale of petroleum derivatives, beverages, tobacco, coffee, and automobiles, offering state loans in foreign exchange and domestic currency based on bonds, and introducing mandatory loans by employed persons above a certain income level and by economic subjects at an established amortization level. In order to distribute this growth more evenly, a mechanism for mandatory registration of obligations above a certain salary level will be introduced as part of salary policy. The restrictiveness in monetary loan policy present over the most recent quarter of this year will be maintained.

[Box, p 5]

#### **Establishment and Control of Prices**

The manner in which prices are established and controlled will differentiate between three groups of products and services. The first includes all products and services that cover basic necessities (basic, low- and medium-quality food products, electric energy in households, home heating, and public transportation) whereby direct control over the price of these products is temporary in nature. Candidates for direct price controls are milk, bread, salt, sugar, cooking oil, several categories of meat, medicine, urban gas, crude oil, and coal for households, urban transportation, water, electricity, and rent, which depends on the current market situation. Accordingly, the government has adopted a decree under which the price of electricity, petroleum derivatives, natural gas, medicine, internal postal and railroad services,

and synthetic fertilizers may change only with government consent, and measures have also been taken to remove the price of municipal services from the area of competence of opstinas or cities.

The second group comprises all other products from the food (or luxury-item) category, many products that are essential in order to rebuild destroyed homes, building materials, and the most necessary household appliances and furnishings. These prices will not be controlled directly, but they will be influenced by commodity reserves and a differentiated tax policy.

The third group consists of products and services whose prices will be completely uncontrolled. This means that the government will look primarily at a certain general level and growth of the price of products in this group,

but not on an individual basis. Keeping them within reasonable bounds is up to monetary policy and salary policy.

#### **Memorandum for EC and U.S. Aid**

Jurica Pavelic said that the only real solution to the growing internal macroeconomic imbalance is the inflow of fresh foreign capital in the shortest term possible. He announced that the government has sent a memorandum to the governments of the EC countries and to the United States, requesting aid in rebuilding housing and the municipal infrastructure amounting to at least \$450 million and aid of around \$200 million in order to ensure Croatia's minimum foreign exchange solvency, as well as asking for the further granting of humanitarian aid.



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